

**FOR THE FISCAL
YEAR ENDED
SEPTEMBER 30,
2023**

A tall, white water tower stands prominently in the center of the image. The tower has a spherical top section with the "The Villages" logo and the word "FLORIDA" written on it. The background is a bright blue sky with scattered white clouds. In the foreground, there are green trees and a building with large windows.

ANNUAL FINANCIAL REPORT

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

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Financial Section

Annual Financial Report



INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of North Sumter County Utility Dependent District (the District) as of and for the 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 business-type activities and each major fund of the District as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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.

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be

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

INDEPENDENT AUDITOR’S REPORT

an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



March 4, 2024
Ocala, Florida

Management's Discussion and Analysis September 30, 2023

This Management Discussion and Analysis report provides the reader with a narrative overview and analysis of the financial activities of the North Sumter County Utility Dependent District for the fiscal year ending September 30, 2023. This report is designed to (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the District's financial activities; (c) identify changes in the District's financial position and its ability to address the next and subsequent year challenges (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues and concerns. The information contained within this section should be considered in conjunction with the District's Financial Statements.

Financial Highlights

- Total assets of the District are \$432,743,065; and the deferred outflows of the resources of the District are \$4,902,548.
- Total liabilities of the District are \$406,138,491; and the deferred inflows of the resources of the District are \$3,893,130.
- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$27,613,992 (net position) as of September 30, 2023. Of this amount, \$73,491,398 is unrestricted and can be used at the discretion of the Board of Supervisors.
- The District's total revenues of \$62,560,003 exceeded the expenses of \$53,540,740, providing a \$9,019,263 increase in total net position.
- Depreciation expenses on existing capital assets for the current fiscal year amounted to \$7,468,874 to show the need for the gradual replacement of these assets over time. Amortization expense totaled \$7,061,516 for the current year.
- The District's total debt decreased by \$6,765,483 to the amount of \$393,133,152 during the year ending September 30, 2023. The decrease is due to the normal decrease in debt due to principal debt service payments.

Overview of The Financial Statements

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

- Fund financial statements
- Notes to the financial statements.

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

Fund Financial Statements

The fund financial statements provide detailed information about the District's major funds individually. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The

District maintains three proprietary funds. There are no government or fiduciary funds maintained by the District. The fund financial statements present information in more detail than the government-wide financial statements.

Proprietary funds

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

The District maintains the following three proprietary funds:

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

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

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

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

Government-wide financial statements are not required to be reported because the District has no governmental activities. The District has no component units, as all functions are performed by the primary government.

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

Notes to the Financial Statements

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

Business-Type Activities Financial Statements and Analysis

Statement of Net Position

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

	September 30,	
	2023	2022
Assets		
Current assets	\$ 78,685,738	64,772,434
Restricted assets	23,461,693	21,318,559
Capital assets (net of accumulated depreciation)	158,788,048	162,468,629
Bond insurance costs (net of accumulated amortization)	521,039	539,729
Intangible assets (net of accumulated amortization)	171,286,547	178,112,211
Total assets	432,743,065	427,211,562
Deferred outflows of resources		
Deferred amount on debt refunding	4,902,548	5,156,461
Total assets and deferred outflows	437,645,613	432,368,023
Liabilities		
Current liabilities	13,005,339	9,735,173
Long term debt:		
Due in one year	5,270,000	4,110,000
Due in more than one year	387,863,152	395,788,635
Total liabilities	406,138,491	409,633,808
Deferred inflows of resources		
Deferred amount on leases	3,893,130	4,139,486
Total liabilities and deferred inflows	410,031,621	413,773,294
Net position		
Net investment in capital assets	(53,172,550)	(53,677,192)
Restricted for:		
Debt service	6,457,122	9,423,163
Renewal and replacement	838,022	799,292
Unrestricted	73,491,398	62,049,466
Total net position	\$ 27,613,992	18,594,729

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The District’s total assets (and deferred outflows) exceeded total liabilities (and deferred inflows) by \$27,613,992. The net position increased \$9,019,263 from a balance of \$18,594,729 as of September 30, 2022.

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

- **Net investment in capital assets** in the amount of (\$53,172,550) or (192.6%) reflects its investment in capital assets less any related outstanding debt to acquire those assets. The District uses these capital assets to provide services to its residents; therefore, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

- **Restricted for debt service** An additional \$6,457,122 portion of the District’s net position or 23.4% represents resources that are subject to external restrictions on how they may be used. The District’s restricted net position is restricted for the purpose of meeting its debt service obligations.
- **Restricted for renewal and replacement** A total \$838,022 of the District’s net position or 3.0% is restricted by the bond indenture to ensure capital renewal and replacement is adequately funded, calculated as a minimum of 2% of the prior year’s revenues.
- **Unrestricted net position** The remaining portion of \$73,491,398 or 266.2% is unrestricted and available to meet the future needs of the district.

Statement of Changes in Net Position

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

	September 30,	
	2023	2022
Business-type activity revenues		
Charges for services	\$ 57,874,971	54,886,159
Contributions - private sources & donations	-	424,178
Investment income (loss)	3,994,509	(947,016)
Other revenues	690,523	655,581
Total revenues	<u>62,560,003</u>	<u>55,018,902</u>
 Business-type activity expenses		
Utility Services	13,256,864	11,745,640
Sanitation Services	12,025,031	11,202,493
Interest expense	13,728,455	13,149,339
Depreciation expense	7,468,874	6,931,843
Amortization expense	7,061,516	6,953,428
Total expenses	<u>53,540,740</u>	<u>49,982,743</u>
 Changes in net position	9,019,263	5,036,159
Total net position, beginning	<u>18,594,729</u>	<u>13,558,570</u>
Total net position, ending	<u>\$ 27,613,992</u>	<u>18,594,729</u>

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

Revenues The District’s revenues for the years ended September 30, 2023, and September 30, 2022 were approximately \$62,560,003 and \$55,018,902 respectively. Total revenues increased \$7,541,101 year over year. The District’s expenses for the years ended September 30, 2023, and September 30, 2022, were \$53,540,740 and \$49,982,743 respectively.

Revenues include charges for services, investment income and other miscellaneous income. Charges for services increased for all three utilities at the start of fiscal year 2022-23. Investment income (loss) increased by \$4,922,194 compared to prior year. The Investment gain of \$3,840,057 in fiscal year 2023, was primarily due to the improved market conditions.

Expenses Total expenses increased by \$3,557,997 in fiscal year 2023 compared to fiscal year 2022. This increase in expense was primarily due to an increase in utility services, sanitation services and interest

expense. Overall Utility Services expenses increased 12.8% or \$1,511,224, Sanitation Services increased 7% or \$822,538. Depreciation expense increased by \$537,031, and interest expense increased by \$579,116.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of September 30, 2023 amounts to \$158,788,048. This investment in capital assets includes land, infrastructure and furniture and fixtures. The District invested a net \$3,788,292 during the year. Depreciation expenses totaled \$7,468,874 resulting in an overall net decrease in capital assets of \$3,680,581.

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

Long-Term Debt

As of September 30, 2023, and September 30, 2022, the District had long-term debt outstanding of \$393,133,152 and \$399,898,635, respectively. The debt consists of various Revenue Bonds issued to purchase NSU, SSF and CSU. This debt is secured by pledge of revenues under the indentures which are derived by the District from the users of the utility services.

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

Economic Factors and Next Year's Budget and Rates

Local, state and national economic factors influence the District's budget in a variety of ways. These factors were considered in preparing the District's budget for the 2023 Fiscal Year.

- The unemployment rate in Sumter County where the District is located was 4.8% in September 2023, an increase from 3.9% a year ago. The County's average unemployment rate was above the State's average unemployment rate of 3.0%, which was below the national average rate of 3.6%.
- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual change for all urban consumers decreased from 8.2% in September 2022 to 3.7% in September 2023.

North Sumter Utility Fund: In Fiscal Year 2024, the total revenues are projected to decrease by \$252,081 or 1% decrease compared to the Fiscal Year 2023 final budget. Investment revenue is budgeted at \$1,274,700. The Fiscal Year 2024 expenditure budget projects an decrease of \$2,285,000, when compared to the Fiscal Year 2023 final budget. The expected decrease in expenditures are primarily from an expected decrease in capital outlay expenditures.

Sumter Sanitation Fund: In Fiscal Year 2024, the total revenues are projected to decrease by \$242,707 compared to the Fiscal Year 2023 final budget. An overall decrease of 1.4%. Investment earnings are expected to increase by \$222,600. The Fiscal Year 2024 expenditure budget projects a \$1,083,000 decrease when compared to the Fiscal Year 2023 final budget. The decrease in expenditures is primarily from the reduction in debt service payment due to the refinancing. A four percent (4%) increase was budgeted for utility contracts in fiscal year 2023-24.

Central Sumter Utility Fund: In Fiscal Year 2024, the total revenues are at a budgeted increase of \$2,178,000 or 13% increase compared to the Fiscal Year 2023 final budget. A portion of the increase is the projected increase in investment income of \$208,000. The Fiscal Year 2024 expenditure budget projects an increase of \$2,022,000, when compared to the Fiscal Year 2023 final budget. The increase in expenditures is a combination of increases in miscellaneous contractual services, building structure maintenance, capital outlay and other operating supplies.

To Obtain Further Information

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

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

It is also suggested you visit our website at www.districtgov.org for general information and additional financial information about the District.

**North Sumter County Utility Dependent District
Statement of Net Position
Proprietary Funds
September 30, 2023**

Assets	North Sumter Utility	Sumter Sanitation	Central Sumter Utility	NSCUDD Total
Current assets:				
Cash and cash equivalents	\$ 31,345,986	3,320,352	5,477,538	40,143,876
Restricted cash and cash equivalents	6,490,702	1,832,853	5,503,107	13,826,662
Receivables, net	2,874,415	1,336,026	2,218,179	6,428,620
Investments	26,891,458	3,156,247	212,301	30,260,006
Lease receivable - current	207,443	-	84,349	291,792
Due from other funds	732,373	90,696	-	823,069
Due from other governments	274,960	43,498	188,064	506,522
Accrued interest receivable	31,697	21,015	30,060	82,772
Prepaid expenses	4,730	-	1,994	6,724
Inventory	142,357	-	-	142,357
Total current assets	<u>68,996,121</u>	<u>9,800,687</u>	<u>13,715,592</u>	<u>92,512,400</u>
Non-current assets:				
Restricted cash and cash equivalents	1,107,847	3,049,103	1,754,975	5,911,925
Lease receivable - non-current	2,064,225	-	1,658,881	3,723,106
Capital assets:				
Land	288,338	537,243	85,910	911,491
Buildings	15,231,967	2,331,307	-	17,563,274
Infrastructure	101,005,595	-	88,266,567	189,272,162
Furniture, equipment and vehicles	18,769,309	-	18,325	18,787,634
Construction in progress	1,124,899	-	639,691	1,764,590
Less accumulated depreciation	(62,547,349)	(92,616)	(6,871,138)	(69,511,103)
Bond insurance costs (net of accumulated amortization)	-	-	521,039	521,039
Intangible assets (net of accumulated amortization)	23,156,212	35,136,181	112,994,154	171,286,547
Total non-current assets	<u>100,201,043</u>	<u>40,961,218</u>	<u>199,068,404</u>	<u>340,230,665</u>
Total assets	<u>169,197,164</u>	<u>50,761,905</u>	<u>212,783,996</u>	<u>432,743,065</u>
Deferred outflows of resources				
Deferred amount on debt refunding	4,343,220	559,328	-	4,902,548
Total assets and deferred outflows	<u>173,540,384</u>	<u>51,321,233</u>	<u>212,783,996</u>	<u>437,645,613</u>
Liabilities				
Current liabilities:				
Accounts payable	846,506	197,594	202,270	1,246,370
Accrued interest payable	2,932,877	825,300	4,222,846	7,981,023
Due to other funds	49,390	723,031	50,648	823,069
Due to other governments	405,987	31,253	323,333	760,573
Due to developer	17,091	-	125,494	142,585
Unearned revenue	-	2,037,094	-	2,037,094
Meter deposits	9,329	-	5,296	14,625
Current installments of revenue bonds payable	3,280,000	870,000	1,120,000	5,270,000
Total current liabilities	<u>7,541,180</u>	<u>4,684,272</u>	<u>6,049,887</u>	<u>18,275,339</u>
Non-current liabilities:				
Revenue bonds payable, net	136,337,440	43,527,194	207,998,518	387,863,152
Total non-current liabilities	<u>136,337,440</u>	<u>43,527,194</u>	<u>207,998,518</u>	<u>387,863,152</u>
Total liabilities	<u>143,878,620</u>	<u>48,211,466</u>	<u>214,048,405</u>	<u>406,138,491</u>
Deferred inflows of resources				
Deferred amount on leases	2,194,663	-	1,698,467	3,893,130
Total liabilities and deferred inflows	<u>146,073,283</u>	<u>48,211,466</u>	<u>215,746,872</u>	<u>410,031,621</u>
Net position				
Net investment in capital assets	(38,245,249)	(2,876,648)	(12,050,653)	(53,172,550)
Restricted for:				
Debt service	4,153,623	1,007,553	1,295,946	6,457,122
Renewal and replacement	512,049	-	325,973	838,022
Unrestricted	61,046,678	4,978,862	7,465,858	73,491,398
Total net position	<u>\$ 27,467,101</u>	<u>3,109,767</u>	<u>(2,962,876)</u>	<u>27,613,992</u>

See accompanying notes to basic financial statements.

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2023**

	North Sumter Utility	Sumter Sanitation	Central Sumter Utility	NSCUDD Total
Operating revenues				
Charges for services:				
Water revenue	\$ 5,022,669	-	3,125,299	8,147,968
Sewer revenue	8,057,124	-	5,718,858	13,775,982
Irrigation revenue	11,147,926	-	7,926,184	19,074,110
Solid waste revenue	-	16,876,911	-	16,876,911
Other revenues	204,118	135,610	334,982	674,710
Total operating revenues	<u>24,431,837</u>	<u>17,012,521</u>	<u>17,105,323</u>	<u>58,549,681</u>
Operating expenses				
Contractual operation and maintenance services	3,462,979	11,162,414	2,043,283	16,668,676
Administrative services	1,625,096	769,776	1,011,709	3,406,581
Utility services	1,433,182	1,193	1,014,709	2,449,084
Repair and maintenance services	727,625	91,648	375,501	1,194,774
Insurance, casualty and liability	282,157	-	132,859	415,016
Meter and operating supplies	694,737	-	453,027	1,147,764
Depreciation expense	5,110,310	55,249	2,303,315	7,468,874
Amortization expense	1,365,403	1,844,361	3,851,752	7,061,516
Total operating expenses	<u>14,701,489</u>	<u>13,924,641</u>	<u>11,186,155</u>	<u>39,812,285</u>
Operating income	<u>9,730,348</u>	<u>3,087,880</u>	<u>5,919,168</u>	<u>18,737,396</u>
Non-operating revenue (expenses)				
Investment earnings (losses)	2,871,747	464,769	503,541	3,840,057
Interest expense	(4,750,628)	(1,758,166)	(7,219,661)	(13,728,455)
Interest income - leases	88,235	-	66,217	154,452
Sale of surplus	10,505	-	5,308	15,813
Total non-operating expenses	<u>(1,780,141)</u>	<u>(1,293,397)</u>	<u>(6,644,595)</u>	<u>(9,718,133)</u>
Change in net position	7,950,207	1,794,483	(725,427)	9,019,263
Total net position, beginning	19,516,894	1,315,284	(2,237,449)	18,594,729
Total net position, ending	<u>\$ 27,467,101</u>	<u>3,109,767</u>	<u>(2,962,876)</u>	<u>27,613,992</u>

See accompanying notes to basic financial statements.

**Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2023**

	North Sumter Utility	Sumter Sanitation	Central Sumter Utility	NSCUDD Total
Cash flows from operating activities:				
Receipts from customers	\$ 24,023,882	18,242,473	16,648,325	58,914,680
Payments to suppliers and others	(8,592,024)	(11,237,193)	(4,917,077)	(24,746,294)
Net cash provided by operating activities	<u>15,431,858</u>	<u>7,005,280</u>	<u>11,731,248</u>	<u>34,168,386</u>
Cash flows from capital and related financing activities:				
Principal payments on capital debt	(3,125,000)	-	(985,000)	(4,110,000)
Proceeds from sale of surplus	10,505	-	5,308	15,813
Lease interest	88,235	-	66,217	154,452
Interest paid on capital debt	(5,943,875)	(1,210,440)	(8,463,875)	(15,618,190)
Acquisition of capital assets	(1,836,572)	(1,334,848)	(616,873)	(3,788,293)
Net cash used in capital and related financing activities	<u>(10,806,707)</u>	<u>(2,545,288)</u>	<u>(9,994,223)</u>	<u>(23,346,218)</u>
Cash flows from investing activities:				
Purchases of investments	(12,521,660)	(1,712,615)	(29,107)	(14,263,382)
Interest on investments	6,198,951	394,506	472,273	7,065,730
Net cash provided by (used in) investing activities	<u>(6,322,709)</u>	<u>(1,318,109)</u>	<u>443,166</u>	<u>(7,197,652)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,697,558)</u>	<u>3,141,883</u>	<u>2,180,191</u>	<u>3,624,516</u>
Cash and cash equivalents, beginning of year	40,642,093	5,060,425	10,555,429	56,257,947
Cash and cash equivalents, end of year	<u>38,944,535</u>	<u>8,202,308</u>	<u>12,735,620</u>	<u>59,882,463</u>
Reconciliation of cash and cash equivalents per Statement of cash flows to the statement of net assets:				
Cash per statement of net position:				
Unrestricted cash and cash equivalents	31,345,986	3,320,352	5,477,538	40,143,876
Restricted cash and cash equivalents - current	6,490,702	1,832,853	5,503,107	13,826,662
Restricted cash and cash equivalents - non-current	1,107,847	3,049,103	1,754,975	5,911,925
Cash and cash equivalents	<u>38,944,535</u>	<u>8,202,308</u>	<u>12,735,620</u>	<u>59,882,463</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	9,730,348	3,087,880	5,919,168	18,737,396
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	5,110,310	55,249	2,303,315	7,468,874
Amortization expense	1,365,403	1,844,361	3,851,752	7,061,516
Change in assets and liabilities:				
(Increase) Decrease in:				
Receivables, net	(306,398)	(93,637)	(490,233)	(890,268)
Lease receivable	(29,335)	-	(26,455)	(55,790)
Due from other funds	(732,373)	14,933	49,170	(668,270)
Due from other governments	(62,745)	(9,084)	7,475	(64,354)
Prepaid expenses	(3)	-	38	35
Inventory	38,078	-	-	38,078
Increase (Decrease) in:				
Accounts payable and accrued liabilities	423,669	68,724	95,002	587,395
Unearned revenue	-	1,317,740	-	1,317,740
Unearned revenue - meter deposits	(135)	-	3,047	2,912
Due to developer	1,895	-	63,948	65,843
Due to other funds	(59,966)	723,031	5,205	668,270
Due to other governments	(46,890)	(3,917)	(50,184)	(100,991)
Net cash provided by operating activities	<u>\$ 15,431,858</u>	<u>7,005,280</u>	<u>11,731,248</u>	<u>34,168,386</u>
Noncash, investing, capital and financial activities				
Contribution of Capital asset improvements	-	1,334,848	-	1,334,848

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The North Sumter County Utility Dependent District (the District) was established on July 13, 2010 to manage and finance solid waste collection and disposal, water, wastewater and reclaimed water utility services for approximately 8,000 acres of land located in unincorporated Sumter County in The Villages, Florida. The District was created by Sumter County, Florida, in Ordinance No. 2010-10, pursuant to the provisions of Chapter 189 of the *Florida Statutes*, and operates within the criteria established by Chapter 189. The District is governed by a seven-member Board of Supervisors. The Board is made up of one resident from each of Districts 5 through District 10, with an additional at-large member anywhere from within Districts 5 through 10. As of September 30, 2023, each member of the Board of Supervisors has been elected by qualified electors (registered voters).

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

The Villages continues to be developed by the Developer; a family-owned business established for the single purpose of developing The Villages. Today, The Villages spans approximately 89 square miles across the borders of Lake, Sumter and Marion Counties, the City of Wildwood, the City of Fruitland Park, the City of Leesburg and the Town of Lady Lake, Florida, with a population of approximately 150,000. Development is currently underway in the south end of The Villages.

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

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

The following is a listing of these Community Development Districts:

- Village Center Community Development District provides water and sewer utility services, recreation facilities and services, security, fire protection, emergency medical first response (including transport services) and executive golf services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This District also provides for the maintenance of common areas and roadways for the commercial areas within the District boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments. Lastly, the District provides administrative services, including human resources, payroll, accounting, property management, recreation leadership and community standard services to the Community Development Districts.

- Sumter Landing Community Development District provides recreation facilities and services, security, fire protection, emergency medical first response (non-transport) and executive golf services to the residents. The cost of operations is funded by amenity fees that residents pay monthly. This District also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries in Sumter County. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Brownwood Community Development District provides the maintenance of common areas and roadways for the commercial areas within the District boundaries in Sumter County. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments as the new downtown area builds out.
- The Village Community Development District No. 1 boundary consists of approximately 993 acres in Sumter County. The development included construction of 3,420 residential units.
- The Village Community Development District No. 2 boundary consists of approximately 990 acres in Sumter County. The development included construction of 3,668 residential units.
- The Village Community Development District No. 3 boundary consists of approximately 894 acres in Sumter County. The development included construction of 3,762 residential units.
- The Village Community Development District No. 4 boundary consists of approximately 1,253 acres in Marion County. The development included construction of 5,432 residential units.
- The Village Community Development District No. 5 boundary consists of approximately 1,407 acres in Sumter County. The development included construction of 6,399 residential units.
- The Village Community Development District No. 6 boundary consists of approximately 1,497 acres in Sumter County. The development included construction of 6,697 residential units.
- The Village Community Development District No. 7 boundary consists of approximately 976 acres in Sumter County. The development included construction of 4,765 residential units.
- The Village Community Development District No. 8 boundary consists of approximately 1,098 acres in Sumter County. The development included construction of 5,193 residential units of which 10 are being used as lifestyle preview homes by the Developer.
- The Village Community Development District No. 9 boundary consists of approximately 1,299 acres in Sumter County. The development included construction of 5,409 residential.
- The Village Community Development District No. 10 boundary consists of approximately 1,489 acres in Sumter County. The development includes construction of 6,639 residential units.
- The Village Community Development District No. 11 boundary consists of approximately 693 acres within the city limits of Fruitland Park in Lake County. The development included construction of 2,055 residential units.
- The Village Community Development District No. 12 boundary consists of approximately 1,483 acres within the city limits of the City of Wildwood in Sumter County. Planned development includes construction of 6,202 residential units of which 53 are being used as lifestyle preview homes by the Developer.
- The Village Community Development District No. 13 boundary consists of approximately 2,232 acres within the city limits of the City of Wildwood in Sumter County. Planned development includes construction of 8,062 residential units of which 101 remain unsold as of the end of the fiscal year.

- The Village Community Development District No. 14 boundary consists of approximately 2,385 acres within the city limits of the City of Leesburg in Lake County. Planned development includes construction of 3,234 residential units in Phase I and construction is currently underway.
- The Village Community Development District No. 15 boundary consists of approximately 1,378 acres with the city limits of the City of Wildwood in Sumter County. Planned development includes construction of 3,616 residential units in Phase I and construction is currently underway.

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

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

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

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

Middleton, By The Villages

During fiscal year 2023, the Developer introduced Middleton A, a family oriented or non-age restricted community known as "Middleton By The Villages." This community will offer residents their own recreation, community parks, and a charter school in addition to a town center with shopping, dining, and entertainment.

To provide for the necessary community wide infrastructure for this new community a new District was formed.

- Middleton Community Development District A (the District) was established for the purpose of planning, financing, constructing, operating, and maintaining the community-wide infrastructure for this new community development district located entirely within Sumter County, Florida. Phase I consists of 994 residential units. As of September 30, 2023, 175 homes have been sold.

Basis of Presentation

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

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

assets and receivables as well as long-term debt and obligations. The statement of revenues, expenses and changes in fund net position - proprietary funds, reflects the revenues and expenses of the District.

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

There are no non-major funds within the District.

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

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the

District enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, depreciation of capital assets, and amortization of intangible assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgetary Information

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

Assets, Liabilities and Net Position

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

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

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

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

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

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

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

Unearned Revenue Unearned Revenue consists of utilities billed in advance which will be recognized as revenue in the subsequent month and future revenue from a lease agreement.

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

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

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

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

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

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

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

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

Use of Estimates

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

New accounting pronouncements

GASB Statement No. 96 Subscription-Based Information Technology Arrangements

The Governmental Accounting Standard Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements (“SBITAs”) for implementation in financial reports for fiscal years beginning after June 15, 2022. The objective of this Statement is to increase the usefulness of governments’ financial statements with regards to the accounting of subscription based information technology arrangement. A SBITA is defined as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The Statement requires recognition of a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District has reviewed its information technology arrangements in place as of September 30, 2023 against the stipulations in GASB No. 96 and found that none of the current agreements met the definition of a SBITA per GASB No. 96. The District will continue to review new IT agreements and if applicable, record the asset and liability in accordance with this new pronouncement.

Note 2 - Cash, Cash Equivalents and Investments

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

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

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

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

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

As of September 30, 2023, the District’s Cash and Cash Equivalents consisted of:

Cash and Cash Equivalents	Fair Value	Weighted Ave Maturity (Days)	Credit Rating
Citizens First Bank demand deposits	736,730	1.0	n/a
FI Cooperative Liquid Assets Securities System, FLCLASS	17,442,171	42.0	AAAm
FI Public Assets for Liquidity Management (FL PALM)	14,914,345	43.0	AAAm
FI Public Assets for Liquidity Management (FL PALM TERM)	7,050,630	88.0	AAAm
FL-FIT Fixed Income Trust	19,738,587	70.0	AAAf
Total Fair Value	\$ 59,882,463		
Portfolio Weighted Average Maturity (WAM)		56.4	

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

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market mutual funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes. Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Repurchase agreements with financial institutions approved as public depositories, provided that the underlying collateral consists of obligations of the United States Government, its agencies and instrumentalities. The repurchase agreement shall be collateralized equal to at least 102 percent of the value of the District’s investment.

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

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

As of September 30, 2023, the District's Investments consisted of:

<u>Investments</u>	<u>Fair Value</u>	<u>Weighted Ave Maturity (Years)</u>	<u>Credit Rating</u>
Florida Fixed Income Trust, FLFIT	\$ 8,572,985	0.7	AAAf1/S1
Florida Local Government Investment Trust	8,414,046	1.8	AAAf/S1
FL PALM Term	3,000,000	1.0	AAAm
PFM Multi-Manager Domestic Equity Fund	4,167,253	n/a	n/a
PFM Multi-Manager International Equity Fund	2,142,910	n/a	n/a
PFM Multi-Manager Fixed Income Fund	3,935,936	8.0	A
First American Government	26,878	n/a	n/a
Total Investments	<u>\$ 30,260,008</u>		
Portfolio Weighted Average Maturity (WAM)		1.8	

The District participates in the following external investment pools:

- Florida Public Assets for Liquid Management (FLPALM) has daily liquidity with unlimited investments and redemptions. The fund has investments in Negotiable Certificates of Deposit, Commercial Paper, Repurchase Agreements, Bank Deposits, Bank Notes, Corporate Notes, Money Market Funds, Federal Agency Bonds/Notes, and US Treasury Notes. The investment advisor, on behalf of the fund, determines the net asset value of the shares at the close of each business day and monitors the difference between the amortized cost and fair market value. The Trustees of the fund can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical. The District's investment in FLPALM meets the requirement of GASB No. 79 and is valued at amortized cost.
- Florida Public Assets for Liquid Management Term Portfolio (FLPALM Term) is a fixed-term investment option, holding maturities of 60 days to a year. The Portfolio invests in high quality money market investments that seeks to maintain principal at maturity while earning the highest return. The District's investment in FLPALM Term does not meet the requirements of GASB Statement No. 79 and is valued at variable Net Asset Value (NAV), which approximates fair value.
- Florida Local Government Investment Trust (the Trust) is administered by a Board of Trustees appointed by the Florida Association of Court Clerks and County Comptroller, and the Florida Association of Counties, Inc. The Trust was created to provide a means for public entities to pool surplus funds to maximize net earnings certificates of deposit. The District's investment in the Trust Short-Term Bond Fund does not meet the requirements of GASB Statement No. 79 and is valued at variable Net Asset Value (NAV), which approximates fair value.
- The Florida Cooperative Liquid Assets Securities System (FLCLASS) is an independent local government investment pool designed to provide a safe and competitive investment alternative for Florida governmental entities. FLCLASS does not meet the requirements of GASB Statement No. 79 and is measured at variable NAV, which approximates fair value.
- Florida Fixed Income Trust Enhanced Cash Pool is a Series Trust designed to provide liquid solutions to local governments of Florida. The funds objective is to provide liquidity and preservation of capital while providing current income consistent with low volatility of net asset value. The fund does not meet the requirements of GASB Statement No. 79 and is measured at variable NAV, which approximates fair value.

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

The valuation measurement levels are defined below:

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

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

At September 30, 2023, the District’s investments carried the following Fair Value Hierarchy:

	Total	Level 1	Level 2	Level 3
Investment by fair value level:				
PFM Multi-Manager Domestic Equity Fund	\$ 4,167,253	\$ -	\$ 4,167,253	\$ -
PFM Multi-Manager International Equity Fund	2,142,910	-	2,142,910	-
PFM Multi-Manager Fixed Income Fund	3,935,936	-	3,935,936	-
	<u>\$ 10,246,099</u>	<u>\$ -</u>	<u>\$ 10,246,099</u>	<u>\$ -</u>

Management of the following investment risks are addressed below:

- Custodial credit risk is the risk that a government will not be able to recover deposits or the value of an investment that’s in the possession of a failed institution or counterparty.
 - The financial institution in which the District places its deposits is certified as a “qualified public depository” as required under the Florida Security for Public Deposits Act. Therefore, the deposits are entirely insured by Federal depository insurance and collateralized pursuant to Chapter 280, Florida Statutes.
 - At September 30, 2023, and consistent with the investment policy, the District’s investments are all registered in the name of the District by a custodian or a trustee for the District.
- Credit risk is the risk of loss from an issuer’s failure to repay principal and/or interest on a debt obligation. To manage this risk, the District’s investment policy identifies and limits investments to only top ratings issued by nationally recognized statistical rating organization.
- Concentration of investment risk is the increasing probability of loss arising from heavily lopsided exposure to an asset class, issuer, structure or maturity. The District’s investment policy stipulates guidelines for diversification of investments by limiting investments to avoid over-concentration in securities from a specific issuer or business sector; limiting investments in securities with higher credit risk; investments in securities with varying maturities; and continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.
- Interest rate risk is the risk that a security’s value will decrease with a rise in interest rates. To manage interest rate risk, the District maintains a formal short-term investment policy that limits a portion of its investments in maturities, not to exceed five (5) years. The short-term target balance is 85% of the Districts portfolio. The District also adopted a Long-term investment portfolio which targets 15% of investment dollars and may hold some maturities longer than five years. The District maintains and reports interest rate risk using the Weighted Average Maturity (WAM) method. A weighted average takes into consideration both the timing and the amounts of the maturities. The District manages its exposure to decline in fair values by limiting the WAM of its short-term investment portfolio to less than three (3) years.
- Foreign currency risk is the risk of loss from a reduction in value affected by changes in the rate of exchange. The District’s investment policies do not allow for direct investments in foreign currency.

Note 3 - Receivables and Payables

Receivables

Accounts Receivable Accounts receivable in the North Sumter Utility, Sumter Sanitation and Central Sumter Utility proprietary funds consist of amounts due for charges for water, sewer and non-potable irrigation water, and amounts owed by sanitation customers for services rendered, net of an allowance for doubtful accounts. For uncollectible accounts receivable, the allowance method is used. Total Accounts Receivable, net of the allowance for doubtful accounts as of September 30, 2023 was \$6,428,620.

The accounts receivable is shown net of the allowance for doubtful accounts totaling \$163,659 as of September 30, 2023.

Due from other Governments As of September 30, 2023, a total \$506,522 is due from other governments. The inter-government balances result from the time lag between the dates that (1) inter-government goods and services were provided or reimbursable expenditure occur, (2) transactions are recorded in the accounting system and (3) payments between governments are made.

Due from Other Funds The inter-fund balances result from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditure occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The balance, if any, at September 30, 2023 is expected to be received shortly after year-end from available current assets and next year funding.

Payables

Accounts Payable As of September 30, 2023, a total \$1,246,370 is due to trade vendors in the normal course of business. This balance is expected to be repaid shortly after year-end from available current assets and next year funding.

Due to other Governments As of September 30, 2023, a total \$760,573 is due to other governments. The inter-government balances result from the time lag between the dates that (1) inter-government goods and services were provided or reimbursable expenditure occur, (2) transactions are recorded in the accounting system and (3) payments between governments are made. The balance at September 30, 2023 is expected to be repaid shortly after year-end from available current assets and next year funding.

Due to Other Funds The inter-fund balances result from the time lag between the dates that (1) inter-fund goods and services were provided or reimbursable expenditure occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The balance, if any, at September 30, 2023 is expected to be repaid shortly after year-end from available current assets and next year funding.

Note 4 - Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Assets not being depreciated:				
Land	\$ 911,491	-	-	911,491
Construction in progress	1,294,240	1,630,991	(1,160,641)	1,764,590
Total assets not being depreciated	<u>2,205,731</u>	<u>1,630,991</u>	<u>(1,160,641)</u>	<u>2,676,081</u>
Assets being depreciated:				
Buildings and structures	16,228,425	1,334,849	-	17,563,274
Furniture & fixtures	18,177,691	609,943	-	18,787,634
Infrastructure	187,899,012	1,373,150	-	189,272,162
Total assets being depreciated	<u>222,305,128</u>	<u>3,317,942</u>	<u>-</u>	<u>225,623,070</u>
Total assets	<u>224,510,859</u>	<u>4,948,933</u>	<u>(1,160,641)</u>	<u>228,299,151</u>
Less accumulated depreciation for:				
Buildings and structures	(6,398,290)	(601,303)	-	(6,999,593)
Furniture & fixtures	(14,479,969)	(1,005,385)	-	(15,485,354)
Infrastructure	(41,163,971)	(5,862,185)	-	(47,026,156)
Total accumulated depreciation	<u>(62,042,230)</u>	<u>(7,468,873)</u>	<u>-</u>	<u>(69,511,103)</u>
Total Capital Assets, net	<u>\$ 162,468,629</u>	<u>(2,519,940)</u>	<u>(1,160,641)</u>	<u>158,788,048</u>

Note 5 - Intangible Assets

Intangible asset activity for the year ending September 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
NSCUDD				
Discounted value purchase	\$214,356,652	-	-	214,356,652
Less accumulated amortization	<u>(36,244,441)</u>	<u>(6,825,664)</u>	<u>-</u>	<u>(43,070,105)</u>
Intangible assets, net	<u>\$178,112,211</u>	<u>(6,825,664)</u>	<u>-</u>	<u>171,286,547</u>

Note 6 - Long-Term Debt

Long-term debt consists of the following Revenue bonds as of September 30, 2023:

\$123,410,000 Utility Revenue Bonds, Series 2020 due in annual principal installments ranging from \$2,970,000 to \$8,715,000 through October 2043 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range is 5.000%.	\$ 117,315,000
\$38,425,000 Solid Waste Refunding Revenue Bonds, Series 2022 due in annual principal installments ranging from \$870,000 to \$2,795,000 through October 2042 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rate is 3.00% to 5.00%.	38,425,000
\$73,200,000 Senior Utility Revenue Bonds, Series 2019 due in annual principal installments ranging from \$95,000 to \$4,530,000 through October 2054 in accordance with the redemption schedule. Interest is due semi-annually on March 1 and October 1 of each year until redemption or maturity. Interest rate is 5.000%.	72,605,000
\$9,490,000 Subordinate Utility Revenue Bonds, Series 2019 due in annual principal installments ranging from \$10,000 to \$585,000 through October 2054 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rate is 5.000%.	9,415,000
\$83,760,000 Senior Utility Revenue Bonds, Series 2021 due in annual principal installments ranging from \$645,000 to \$5,265,000 through October 2052 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rate is 3.000% to 5.000%.	83,115,000
\$7,275,000 Subordinate Utility Revenue Bonds, Series 2021 due in annual principal installments ranging from \$5,000 to \$480,000 through October 2052 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rate is 3.000% to 5.000%.	7,275,000
Total revenue bonds payable	<u>328,150,000</u>
Plus unamortized bond premium	64,983,152
Less current installment of revenue bonds payable	(5,270,000)
Revenue bonds payable less current installments	<u>\$ 387,863,152</u>

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2023, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2024	5,270,000	15,837,925	21,107,925
2025	6,135,000	15,570,900	21,705,900
2026	6,660,000	15,268,350	21,928,350
2027	7,235,000	14,928,100	22,163,100
2028-2032	45,500,000	68,392,000	113,892,000
2033-2037	60,595,000	55,239,500	115,834,500
2038-2042	76,395,000	39,119,375	115,514,375
2043-2047	55,040,000	21,822,525	76,862,525
2048-2052	44,950,000	10,930,500	55,880,500
2053-2054	20,370,000	1,264,250	21,634,250
Total	<u>\$ 328,150,000</u>	<u>258,373,425</u>	<u>586,523,425</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Bonds payable					
Senior bonds	\$ 315,530,000		(4,070,000)	311,460,000	5,215,000
Subordinate bonds	16,730,000		(40,000)	16,690,000	55,000
Plus unamortized bond premium	67,638,635		(2,655,483)	64,983,152	-
Total bonds payable	<u>399,898,635</u>	<u>-</u>	<u>(6,765,483)</u>	<u>393,133,152</u>	<u>5,270,000</u>
Total business-type activities long-term liabilities	<u>399,898,635</u>	<u>-</u>	<u>(6,765,483)</u>	<u>393,133,152</u>	<u>5,270,000</u>
Total debt	\$ <u>399,898,635</u>	<u>-</u>	<u>(6,765,483)</u>	<u>393,133,152</u>	<u>5,270,000</u>

Debt Covenants and Pledged Revenues

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

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

The District has pledged certain water, sewer and non-potable irrigation water revenue to pay the principal and interest on Utility Revenue Bonds Series 2020 to pay for the purchase of water, sewer and irrigation utility facilities. In addition, the District has pledged certain residential and commercial solid waste collection fee revenue to pay the principal and interest on the Solid Waste Revenue Bonds Series 2022. The District has pledged certain water and sewer water revenue to pay the principal and interest on Utility Revenue Senior and Subordinate Bonds Series 2019 to pay for the purchase of water and sewer utility facilities. Lastly, the District has pledged certain non-potable irrigation revenue to pay the principal and interest on the Utility Revenue Bond Series 2021 to pay for the purchase of irrigation utility facilities. These Utility and Solid Waste Revenue Bonds were outstanding on September 30, 2023, as shown below. The table reports the revenues pledged for each debt issue, the amounts of revenue received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds as of September 30, 2023.

Description of Debt	Pledged Revenue	Net Pledge Revenue	Principal and Interest Paid	Estimated Percent Pledged	Outstanding Principal and Interest	Pledged Through
Utility Revenue Bonds - 2020	Water, Sewer, & Irrigation	19,176,550	7,875,628	46.99%	189,222,875	2044
Utility Revenue Bonds - 2022	Sanitation	5,452,258	1,210,440	52.18%	56,898,800	2043
Utility Revenue Bonds - 2019	Water, Sewer, & Irrigation	12,649,300	2,399,000	42.46%	166,506,500	2054
Utility Revenue Bonds - 2021	Water, Sewer, & Irrigation	12,649,000	2,827,025	45.83%	173,895,250	2053

Note 7 - Related Parties

The District entered into an interlocal agreement with Sumter Landing Community Development District (SLCDD) for management services. SLCDD, in turn, obtains its management services from Village Center Community Development District (VCCDD) through an interlocal agreement. Under the agreement,

management fees accrued to VCCDD by the District for such services totaled \$1,691,664 for the year ended September 30, 2023.

The District paid Villages Technology Solutions Group, Developer owned a technology company, a total \$232,780 for technology services and The Villages of Lake-Sumter \$941,917 for amenity futures in FY 2023. The District paid The Daily Sun, a Developer owned newspaper, a total \$1,631 for certain legal advertisements, The Villages of Lake-Sumter \$0 for administrative services and The Village Marketing \$137 for certain marketing services in FY 2023.

Note 8 - Risk Management

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

Note 9 - Lease Receivables

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

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

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

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

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

North Sumter County Utility Dependent District leases "tower space" to Verizon Wireless to place communication equipment as part of their wireless network services. Verizon Wireless has three locations within the District area. The lease amount is adjusted each year by the amount equal to the greater of 3% of the preceding year rent or by the U.S. Consumer Price index. Two of the leases expire in 2032 and one lease expires in 2044. Provisions for additional 5 (five)-year terms are written with in the language of the lease.

North Sumter County Utility Dependent District leases "tower space" to T-Mobile, South LLC to place communication equipment as part of their wireless network services. T-Mobile has three locations within the District area. The lease amount is adjusted each year by the amount equal to the greater of 3% of the

preceding year rent or by the U.S. Consumer Price index. One lease expires in 2035, one in 2036 and the third lease in 2042. Provisions for additional 5 (five)-year terms are written with in the language of the lease.

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

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

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

Lease-related Revenue	<u>Ending Balance</u>
Lease Revenue	
Equipment	246,356
Total Lease Revenue	246,356
Interest Revenue	<u>154,452</u>
Total	<u>400,808</u>

Future revenues for these leases are:

Fiscal year ending September 30:	<u>Principal</u>	<u>Interest</u>	<u>Total Receipts</u>
2024	291,792	147,181	345,018
2025	205,385	139,634	345,019
2026	213,220	131,798	345,018
2027	221,355	123,663	345,018
2028	229,800	115,218	345,018
2029-2033	1,118,657	438,630	1,557,287
2034-2038	696,906	252,082	948,988
2039-2043	549,668	141,981	691,649
2044-2048	335,345	58,917	394,262
2049-2052	152,768	11,732	164,500
Total Future Receipts	<u><u>4,014,896</u></u>	<u><u>1,560,836</u></u>	<u><u>5,481,777</u></u>

Other Reports

Annual Financial Report

PURVIS GRAY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of North Sumter County Utility Dependent District (the District) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



March 4, 2024
Ocala, Florida

PURVIS GRAY

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of North Sumter County Utility Dependent District (the District) as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated March 4, 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; 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 of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with the American Institute of Certified Public Accountants *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 4, 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 financial audit report. There were no prior year findings made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements (see Note 1 of the District's September 30, 2023, basic financial statements for this information). There are no component units related to the District.

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 North Sumter County Utility Dependent District
 The Villages, Florida

MANAGEMENT LETTER

Financial Condition and Management

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

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

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

Special Districts

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

Additional Matters

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

Purpose of This Letter

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

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



March 4, 2024
 Ocala, Florida

Attachment to the Management Letter For the Year Ending September 30, 2023

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

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

- a) The total number of district employees compensated in the last pay period of the district's fiscal year as N/A.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as N/A.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as N/A.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as N/A.
- e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as \$2,076,060 (Please see list attached).
- f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as _____.

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

NSCUDD is a dependent special district.

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

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

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

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

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

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

FY 2022-23
Capital Expenditure Summary > \$65,000

Project Description	Capital > \$65,000 As of 09/30/2023
CSU Belt Filter Press Rehabilitation	\$ 352,232
NSU Belt Filter Press Rehabilitation	321,754
Anoxic Mixers Replacements	218,794
Variable Frequency Drive Program	174,908
CSU Advanced Metering	111,646
WTP 3 - Sulfuric Acid Skid & Containment Area	108,508
WTP 2 - Sulfuric Acid Skid & Containment Area	108,508
CSU SCADA Master Plan Improvements	101,317
Valve Replacement Program	99,306
Station 1 Metal Skid Beams	92,129
Station 2 Metal Skid Beams	92,129
Aerator Gear Box	74,998
Odor Control Mechanical Rehabilitation	74,777
NSU Advanced Metering	73,617
NSU SCADA Master Plan Improvements	71,437
	<u>\$ 2,076,060</u>

PURVIS GRAY

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

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

We have examined North Sumter County Utility Dependent District's (the District) compliance with Section 218.415, Florida Statutes, with regards to the District's investments during the fiscal year ended September 30, 2023. District management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

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

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



March 4, 2024
Ocala, Florida

CERTIFIED PUBLIC ACCOUNTANTS

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