



Lake Apopka Natural Gas District

Winter Garden, Florida

September 30, 2024



Lake Apopka Natural Gas District
Winter Garden, Florida
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2024, and the respective change in financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Orlando, Florida
March 17, 2025**

Management’s Discussion and Analysis

Our discussion and analysis of the Lake Apopka Natural Gas District’s (the District) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2024. Please read it in conjunction with the financial statements and disclosures that follow.

Financial Highlights

The District’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$56,718,791 (total net position) for the fiscal year 2024. This is consistent with the previous fiscal year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52,004,593.

The District’s total revenues were \$22,876,587, including interest income, compared to \$24,056,334 last year, or a year-over-year decrease of \$1,179,747. The primary reason for the decrease in revenue is due to the decline in the cost of natural gas in fiscal year 2024. Natural gas prices fell from an average cost of \$0.58 per therm in 2023 to \$0.33 per therm in 2024. Although total consumption increased to 21,914,383 therms in 2024, from 21,093,029 and the number of customers increased to 29,504 in 2024, from 28,411 in 2023 these positive factors were major contributors to revenue and net profit, as well as the extreme drop in the cost of natural gas. Natural gas costs are a pass through that is reflected in revenues and expenses. Total expenses dropped from \$20,301,720 in fiscal year 2023 to \$18,219,769 in 2024, due primarily due to the significant drop in the cost of natural gas. Natural gas expense declined from \$7,128,523 to \$4,295,439 or by \$2,833,084 (40%) due to the decreases in the price. The significant savings from the lower cost for natural gas was partially offset by other non-operating expenses increasing from \$253,577, in 2023 to \$1,047,233, or by \$793,656, or an increase of 313%. The increase in other non-operating expenses is primarily due to the dividend payout to member cities of \$1,015,758 in fiscal year 2024.

New Customer Highlights

In the 2024 fiscal year, the District executed and recorded eight new residential subdivision developer agreements in Orange and Lake Counties. The builders/developers will build 1,103 new homes in our service area. The District executed residential agreements for the following subdivisions:

<u>Orange County</u>	<u>Lots</u>	<u>Developers/Home Builders</u>
Foothills of Mt. Dora Phase 4-1C	73	Pulte Homes
Lakeview Village	26	Davila Homes
Oakview	113	Hanover Family Builders
Watercrest	41	Toll Brothers
Wolf Lake Run	110	MI Homes

Lake County:

Del Webb Phase 3	148	Pulte Homes
Parkside Trails Phase 1	470	Pulte Homes
Waterstone Phase 1A	122	LT Langley, LLC
Total	<u>1103</u>	

In addition to residential subdivision developer customers, we also added 113 residential and 54 commercial customers within the District.

	<u>Residential</u>	<u>Commercial</u>
1 st Quarter	21	5
2 nd Quarter	29	10
3 rd Quarter	27	12
4 th Quarter	36	27
Total	<u>113</u>	<u>54</u>

We remain committed to expanding our presence through strategic development initiatives in underserved areas of our service territory. As we pursue these growth opportunities, we will continue educating developers on the benefits of offering residents energy choices. Currently, we are advocating for municipal ordinances requiring the installation of gas mains in new subdivisions, ensuring homeowners have the option to select their preferred energy source.

The new residential developer agreements and commercial accounts that were placed in service during the 2024 fiscal year increased the District's financial performance with our customer base growing to serve 29,504 customers as of September 30, 2024. Central Florida's tourism and entertainment districts and business are thriving and growing. We consistently receive information on new commercial business developments coming to our service area.

In fiscal year 2024, North Orange and West Lake Counties are experiencing significant development across residential, commercial, and industrial sectors, with potential for new natural gas customers. Apopka is undergoing major growth, highlighted by the \$1.2 billion Wyld Oaks mixed-use project, which spans five to six years and includes office, medical, retail, and residential spaces, with multi-family apartments among the first to be built. The city is also revising its Comprehensive Plan, seeking community feedback. Winter Garden's real estate market is thriving, with a 5% increase in average sale prices and luxury homes selling for over \$2 million. The city offers a variety of housing options and continues to grow. Ocoee is seeing transformative changes, including the \$1 billion, 159-acre Dynasty Ocoee sports complex, set to open in 2025. This facility will feature indoor sports venues, multiple fields, a pedestrian riverwalk with retail and dining, and two hotels. Clermont is also expanding, with five hundred new rental units expected by the end of 2024, alongside new shopping, dining, and entertainment options. Windermere remains a hot housing market in Central Florida, attracting many buyers, while Groveland continues to engage in development, with the City Council meeting in October 2024 highlighting its progress.

The District used \$4,333,496 in cash flow to acquire additional capital assets, compared to \$5,245,469 for the previous year. We added 27 miles of gas mains and 1188 service lines to our existing distribution system in fiscal year 2024, along with several major capital expenditures to upgrade and expand the system. For system improvement, the District completed the following projects:

- SR 19 4-Inch H.P. Steel Main Extension Phase 2 (Groveland):
We completed Phase 2 of 4-inch high-pressure steel main extension (10,432 feet) on SR19 in Groveland. This project will enhance the system's pressure to serve the new industrial and commercial customers coming into the business park at SR 19 and S Obrien Road. It will also allow us to capture new subdivisions and commercial firms in the area.
- Avalon Road & Schofield Road 6-Inch Steel Main Extension Phase 2 (Winter Garden):
We completed 3,949 feet of a 6-inch steel main extension on Avalon Road from New Independence Parkway to Schofield Road. This main extension is one of the five-year plan projects that will provide services to the expected population growth in Winter Garden and Clermont.
- Villa City Road, 6-Inch Phase 2 Poly Main Extension (Groveland):
We completed 10,550 feet of 6-inch polyethylene main extension on Villa City Road in Groveland. This main extension is one of the five-year plan projects that will provide services to the new Villa City subdivision.

In addition to the system enhancements, the District replaces legacy black plastic, Aldyl-A pipes, and copper services in the distribution system on an annual basis to reduce liability. The District detected about 3,450 feet of 2-inch Aldyl-A pipe in the system, which is projected to be replaced in fiscal year 2025. The District received \$3,125,000 in funding from Pipeline and Hazardous Material Materials Safety Modernization (PHMSA) to replace vintage steel, vintage polyethylene, Aldyl-A polyethylene pipe in Apopka with modern polyethylene pipe. Replacing the Aldyl-A pipe will be completed with the funding received from the PHMSA grant.

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

Apopka:

- 1443 Clarcona Road – 2-Inch Polyethylene Main Extension
- 1452 Orange Blossom Trail – 2-Inch Polyethylene Main Extension
- 212 S Line Drive – 2-Inch Polyethylene Main Extension
- 10714 Clarcona Ocoee Road – 2-Inch Polyethylene Main Extension

Clermont:

- 2603 US Hwy 27 – 2-Inch Polyethylene Main Extension.
- 3440 US Hwy 27 – 2-Inch Polyethylene Main Extension
- 13550 Granville Avenue – 2-Inch Polyethylene Main Extension
- 1251 E Hwy 50 – 2-Inch Polyethylene Main Extension
- Wellness Way from Schofield Road to 5 Mile Rd – 6-Inch Polyethylene Main Extension

Ocoee:

- Ohio Street & Cumberland Ave – 2-Inch Polyethylene Main Extension
- Delaware Street – 2-Inch Polyethylene Main Extension

Windermere:

- Bay Meadows Court – 2-Inch Polyethylene Main Extension
- Wax Berry Court – 2-Inch Polyethylene Main Extension
- Wild Myrtle Court – 2-Inch Polyethylene Main Extension
- Lavill Lane – 2-Inch Polyethylene Main Extension
- 9152 Pinnacle Circle – 2-Inch Polyethylene Main Extension
- 1842 Down Lake Drive – 2-Inch Polyethylene Main Extension
- East Boulevard – 2-Inch Polyethylene Main Extension
- 9607 Morton Jones Road – 2-Inch Polyethylene Main Extension
- 1143 Almond Tree Circle – 2-Inch Polyethylene Main Extension

Winter Garden:

- Carriage Pointe – 4-Inch & 2-Inch Polyethylene Main Extension
- 153 Apopka Street – 2-Inch Polyethylene Main Extension
- 12920 Reaves Road – 2-Inch Polyethylene Main Extension
- 17513 Seidner Road – 2-Inch Polyethylene Main Extension

There were several new subdivisions and new phases opened in existing subdivisions due to the continued resurgence of our homebuilding market. We continued to expand our infrastructure into several new subdivisions and main extensions for commercial customers.

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

- Winding Meadows Phase 2 (Apopka)
- Wolf Lake Ranch (Apopka)
- Oaks @ Kelly Park Phase 3 (Apopka)
- Bronson Peak Phase 1-C (Apopka)
- Parkview Preserve Phase 2 (Apopka)
- Emerson Pointe (Apopka)
- Del Webb Phase 2 & 3 (Minneola)
- Willow Ridge Phase 2 (Montverde)
- Foothills Preserve Phase 4-1C (Mount Dora)
- Oakland Park Phase 7 (Oakland)
- Palms of Windermere (Windermere)
- Winter Groves (Winter Garden)

As always, we relocated existing pipelines due to local road work and other municipal improvements that caused the District to expend resources to relocate pipelines. The primary projects to relocate the gas mains in fiscal year 2024 were:

- The Crescent – 220 feet of 2-Inch Steel Main Relocation (Minneola)
- Main Street – 354 feet of 2-Inch Steel Main Relocation (Windermere)
- Plant Street – 880 feet of 4-Inch Polyethylene Main Relocation (Winter Garden)

Overview of the Financial Statements

Management’s Discussion and Analysis introduces the District’s financial statements. The District was established as an independent special district by the Florida legislature on June 20, 1959, to provide natural gas services to potential customers in Orange and Lake Counties. On June 20, 2024, the District celebrated its 65th year of existence. The District accounts for its activities as a single proprietary fund, which is used to report business-type activities. The accompanying notes to the financial statements provide additional information essential to a full understanding of the financial statements.

Financial Analysis of the District

The District’s net position at year-end was \$56,718,791. This is an increase of \$4,714,198 over last year’s net position of \$52,004,593. Net position measures the difference between the assets the District owns and deferred outflows of resources over the liabilities it owes and deferred inflows of resources. The following table provides a summary of the District’s net position:

Summary of Net Position

	<u>2023</u>	<u>2024</u>
Current Assets	\$ 18,254,359	\$ 19,495,042
Noncurrent Assets	48,027,398	50,164,848
Total Assets	<u>66,281,757</u>	<u>69,659,890</u>
Deferred Outflows	<u>1,087,038</u>	<u>1,266,152</u>
Current Liabilities	7,743,731	6,967,754
Long-Term Liabilities	7,376,915	6,731,175
Total Liabilities	<u>15,120,646</u>	<u>13,698,929</u>
Deferred Inflows	<u>243,556</u>	<u>508,322</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	46,315,491	48,981,074
Unrestricted	5,689,102	7,737,717
Total Net Position	<u>\$ 52,004,593</u>	<u>\$ 56,718,791</u>

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

Summary of Changes in Net Position

	<u>2023</u>	<u>2024</u>
Revenues:		
Charges for services	\$ 23,493,432	\$ 21,902,314
Other operating revenues	87,272	379,985
Other non-operating revenues	475,630	594,288
Total Revenues	<u>24,056,334</u>	<u>22,876,587</u>
Expenses:		
Natural gas costs	7,128,523	4,295,439
Personnel services	7,164,098	6,869,389
Advertising and marketing	727,239	574,235
Repairs and maintenance	736,945	856,217
Other operating expenses	2,227,172	2,381,210
Depreciation	2,064,166	2,196,046
Other non-operating expenses	253,577	1,047,233
Total Expenses	<u>20,301,720</u>	<u>18,219,769</u>
Capital Contributions:	-	57,380
Change in Net Position	<u>3,754,614</u>	<u>4,714,198</u>
Net Position - Beginning	<u>48,249,979</u>	<u>52,004,593</u>
Net Position - End of Year	<u>\$ 52,004,593</u>	<u>\$ 56,718,791</u>

The District's revenues decreased by \$1,179,747 and expenses decreased by \$2,081,951. The \$1,591,118 decrease in charge for services revenue was primarily due to lower natural gas costs. However, the decrease in natural gas pricing was mitigated by the increases in customer base and a significant increase in natural gas consumption in 2024. Natural gas consumption increased from 21,093,029 therms to 21,914,383 therms in 2024, or an increase of 821,354 therms, or 3.9%. Additionally, the number of customers increased in 2024 from 28,411 to 29,504 an increase of 1,093 new customers, or an increase of 4%. The cost of natural gas is a pass-through that is reflected as part of revenue and natural gas expenses. Annual increases in natural gas costs increase revenue, while decreases erode revenue. The decreases in the price of natural gas were passed on to consumers. Revenues were controlled by using the gas stabilization fund to mitigate the financial impact from over and under recovery collections of gas supply costs on the monthly financial statements. When collections from customers exceed the cost of gas, the fund is increased, and when collections are less than the cost of gas, the fund is reduced. Recovery collections are evaluated monthly to maintain process consistency. The primary reason for the decrease in total expenses is due to the decreases in the cost of natural gas, which was partly offset by the increase in other non-operating expenses due to the payout of \$1,015,758 in dividends to member cities during fiscal year 2024. In fiscal year 2024, natural gas costs dropped by \$2,833,084, from \$7,128,523 to \$4,295,439, or 40%. The District's average price per therm for natural gas decreased from \$0.58 in 2023 to \$0.33 in fiscal year 2024, or by \$0.25 or 43%.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, on September 30, 2024, was \$50,164,848. This represents an increase of \$2,137,450 over the previous year, primarily due to the \$2,046,693 increased investment in the gas distribution system.

Capital Assets Net of Accumulated Depreciation

	<u>2023</u>	<u>2024</u>
Non-depreciable Assets:		
Land	\$ 282,229	\$ 282,229
Depreciable Assets:		
Buildings	1,186,590	1,129,479
Gas distribution system	45,301,434	47,348,127
Furniture, machinery, and equipment	1,257,145	1,405,013
Total	<u>\$ 48,027,398</u>	<u>\$ 50,164,848</u>

Long-Term Debt

On December 14, 2016, the District secured a \$5,000,000 note payable at an interest rate of 2.14% for a 10-year period with TD Bank. At the end of the fiscal year, the note payable balance outstanding was \$1,183,774. The District pledged the net revenues of the natural gas system as security for the notes.

Long-Term Debt

	<u>2023</u>	<u>2024</u>
	\$ 1,711,907	\$ 1,183,774

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

The District continued improving its Information Systems to support the District's mission to provide safe, reliable, compliant, and competitive natural gas energy services with a commitment to exceptional customer service, employee engagement and improving quality of life throughout the communities we serve. For the District to be safe and reliable, Information Systems must constantly improve our security. To this end, we completed over a dozen security improving projects during the year resulting in improved security posture for the District. Our employee engagement was enhanced by expanding our adoption of our primary unified communication tool. We improved our reliability by performing upgrades to our work order and mapping systems. And our internal efforts to train team members carried on with the Information Systems team leading classes on various topics throughout the year.

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

Safety Program and Awards

The District continues to be proactive in safety and damage prevention. Training has returned to pre-pandemic modes, though we continue to use Teams meetings as needed. Most employees are working on-site full-time but, in limited cases, we are offering employees the opportunity to work remotely for medical reasons or other specified situations handled on a case-by-case basis. The District's COVID-19 guidelines currently mirror those of the CDC. We continue to provide PPE and cleaning supplies as needed, along with regular professional cleaning. We have offered many training opportunities throughout the year both in-person (off-site and on-site) and virtually on a variety of topics, including Respirator Training, Train the Trainer, Defensive Driving Training (National Safety Council), wellness presentations by our EAP provider, 811 Training, Ionix Static Suppression, DOT Drug & Alcohol Training for both supervisors and managers, Customer Service & De-escalation training by professional speaker, David Alba, Maintenance of Traffic, Gas Measurement Fundamentals (American School of Gas Measurement Tech), Fundamentals in Corrosion Control (AUCSC) and a variety of other safety topics. The District continues to administer a Safety Recognition Program, which recognizes employees who show a commitment to safety in the performance of their job duties and a safety suggestion box for employees to submit safety concerns and comments. The Safety Recognition Program has been expanded to include recognition for reporting "Near Misses" as well. Safety committee members meet quarterly to review pertinent safety topics.

The District received the American Public Gas Association's Safety Award for the 14th consecutive year, which acknowledges our excellent safety record. The District remains committed to making the safety of our employees, customers, and the public our highest priority.

Training and Community Involvement

Our Leadership Team encourages employees to participate in industry associations and its training programs to increase their technical skills and competency in the natural gas industry. Employees participate and hold leadership positions on the Board of Directors and Committees of the American Public Gas Association, Florida Natural Gas Association, and the Florida Municipal Natural Gas Association. District employees receive training in all elements of the natural gas industry to keep abreast of new developments, regulations, and disaster preparedness. We provided support as needed for disaster storm restorations by participating at the Orange and Lake County Emergency Management centers, including providing support when multiple hurricanes affected our area in fiscal year 2024.

The District was active in the community when we partnered with local fire departments to develop training materials, and shared safety awareness information regarding Mercaptan odorant and natural gas safety practices to schools in the area. The District also donated smoke and carbon monoxide detectors to fire departments in Winter Garden, Clermont, and Apopka for them to distribute to residential and commercial businesses in their areas. We work with community fire departments to educate children on the value of natural gas. We participate in bi-monthly meetings with the Orange County Emergency Operations Center to stay abreast of emergency preparedness and response efforts. These meetings also include safety training, briefings on statewide and county-level emergency topics,

and roundtable communication among all participating members. The District was also involved in hurricane preparedness efforts by participating in the Orange and Lake County 2024 Hurricane Expos. The District adheres to the safety standards established by the Florida Public Service Commission for natural gas utilities. Additionally, the District has an active Public Awareness and a Damage Prevention Program.

During fiscal year 2024, Lake Apopka Natural Gas District Public Relations personnel held meetings with builders and developers to thank them for including natural gas in their new home subdivisions, which created valuable dialogue and open avenues for better communications. We also explained the District's new Energy Choice Ordinance that was passed by the city commission in Apopka, Winter Garden, and Clermont. We advertise weekly in the Apopka Chief, the Orange and Southwest Observer, and the Clermont Sun. We also publish a monthly advertorial in these same media outlets and the digital newspaper, the Apopka Voice. The District annually distributes a Community Impact brochure to all our customers in their billing statements, and copies delivered to the city hall of all the cities in our territory that have executed a franchise agreement with the District. We periodically publish Public Service Announcements in local newspapers and on the radio on an array of natural gas subjects to keep the public informed about the value and benefits of natural gas and its reliability. We also distribute Public Safety Awareness information to contractors, public officials, emergency response personnel, and customers. We participate in and sponsor meetings, events, and training presented by the Greater Orlando Builders Association and the Home Builders Association of Lake Sumter. We are members of the Chamber of Commerce in West Orange, Apopka, and South Lake County. We are associate members of the Florida Nursery and Landscapers Association and the Florida Restaurant and Lodging Association.

Contacting the District's Financial Management

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

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$	1,045,115
Restricted cash and cash equivalents		4,251,827
Investments		10,992,773
Accounts receivable (net of allowance for uncollectibles)		1,773,686
Inventory		1,377,511
Prepaid expenses		54,130
		19,495,042
Total Current Assets		19,495,042

Noncurrent Assets:

Capital Assets:

Land		282,229
Buildings		2,512,855
Gas distribution system		72,772,870
Machinery and equipment		3,946,482
Less: accumulated depreciation		(29,349,588)
		50,164,848
Total Noncurrent Assets		50,164,848

TOTAL ASSETS		69,659,890
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DEFERRED OUTFLOWS

Deferred outflows related to pensions		1,266,152
Total Deferred Outflows		1,266,152

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

LIABILITIES

Current Liabilities (Payable From Current Assets):

Accounts payable	\$ 1,375,200
Due to other governments	13,814
Accrued wages and benefits payable	367,117
Accrued taxes payable	212,077
Current portion of note payable	539,547
Gas rate stabilization	208,172

Total Current Liabilities (Payable From Current Assets) 2,715,927

Current Liabilities (Payable From Restricted Assets):

Customer deposits	4,187,090
Developer deposits	64,737

Total Current Liabilities (Payable From Restricted Assets) 4,251,827

Noncurrent Liabilities:

FRS net pension liability	3,705,874
HIS net liability	1,607,088
Total OPEB liability	150,480
Note payable	644,227
Accrued benefits payable	623,506

Total Noncurrent Liabilities 6,731,175

TOTAL LIABILITIES 13,698,929

DEFERRED INFLOWS

Deferred inflows related to pensions 508,322

Total Deferred Inflows 508,322

NET POSITION

Invested in capital assets, net of related debt	48,981,074
Unrestricted	7,737,717

TOTAL NET POSITION \$ 56,718,791

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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Operating Revenues:	
Charges for services	\$ 21,902,314
Other operating revenues	379,985
Total Operating Revenues	<u>22,282,299</u>
Operating Expenses:	
Natural gas purchases	4,295,439
Personal services	6,869,389
Insurance	278,936
Repairs and maintenance	856,217
Professional services	467,056
Advertising and marketing	574,235
Bad debt expense	36,000
Travel and per diem	99,462
Gas, oil and fuel	119,492
Freight and postage	167,160
Materials	83,885
Communication services	70,387
Utilities	98,528
Supplies	112,076
Bank charges	437,079
Dues and subscriptions	63,292
Other operating expenses	347,857
Depreciation	2,196,046
Total Operating Expenses	<u>17,172,536</u>
 Operating Income	 <u>5,109,763</u>
Nonoperating Revenues (Expenses):	
Interest income	594,288
Interest expense	(31,475)
Intergovernmental transfers	(1,015,758)
Total Nonoperating Revenues (Expenses)	<u>(452,945)</u>
Capital Contributions	<u>57,380</u>
 Change in Net Position	 <u>4,714,198</u>
Total Net Position - Beginning	<u>52,004,593</u>
Total Net Position - Ending	<u>\$ 56,718,791</u>

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

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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Cash Flows From Operating Activities:	
Cash received from customers	\$ 22,167,799
Cash payments to suppliers for goods and services	(8,279,391)
Cash payments to employees for services	<u>(6,901,997)</u>
Net Cash Provided By Operating Activities	<u>6,986,411</u>
Cash Flows From Capital and Related Financing Activities:	
Dividends paid to member municipalities	(1,454,147)
Capital grants	57,380
Acquisition and construction of capital assets	(4,333,496)
Principal paid on note payable	(528,133)
Interest paid on note payable	<u>(31,475)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(6,289,871)</u>
Cash Flows From Investing Activities:	
Purchase of investments	(10,811,009)
Interest	412,524
Net Cash Used In Investing Activities	<u>(10,398,485)</u>
Net decrease in Cash and Cash Equivalents	(9,701,945)
Cash and Cash Equivalents at October 1	<u>14,998,887</u>
Cash and Cash Equivalents at September 30 ⁽¹⁾	<u><u>\$ 5,296,942</u></u>
(1) Cash - Unrestricted Assets	\$ 1,045,115
Cash and Cash Equivalents - Restricted Assets	<u>4,251,827</u>
	<u><u>\$ 5,296,942</u></u>

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

Reconciliation of Operating Income to Net	
Cash Provided by Operating Activities:	
Operating income	\$ 5,109,763
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	2,196,046
Changes in Assets and Liabilities:	
(Increase) decrease in receivables	(18,942)
(Increase) decrease in inventory	(247,390)
(Increase) decrease in prepaid expenses	316,477
Increase (decrease) in accounts payable	(241,377)
Increase (decrease) in accrued wages and benefits	(73,836)
Increase (decrease) in taxes payable	2,047
Increase (decrease) in net customer/developer deposits	101,239
Increase (decrease) in gas rate stabilization	(198,844)
Increase (decrease) in net pension liability/deferrals	21,839
Increase (decrease) in total OPEB liability	19,389
	<hr/>
Net Cash Provided By Operating Activities	<u>\$ 6,986,411</u>

Note 1 – Summary of Significant Accounting Policies:

- A. Reporting Entity – Lake Apopka Natural Gas District (the District) was established pursuant to the provisions of Chapter 59-556, Laws of Florida, Acts of 1959, which became law on June 20, 1959, to provide natural gas service within its defined area of service. The District operates under a commission form of government with the commissioners being appointed by the District’s member municipalities of Apopka, Winter Garden and Clermont. The District does not have any reporting requirements for a component unit.
- B. Fund Financial Statements – The District is accounted for as a proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Activities are generally financed in whole or in part with fees charged to customers.
- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The accounting and reporting policies of the District conform to the accounting rules prescribed by the Governmental Accounting Standards Board (GASB).

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

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

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

- 1. Cash and Cash Equivalents – Cash includes amounts in demand deposits, as well as short-term investments with an original maturity date of three months or less. For purposes of reporting cash flows, all highly liquid investments (including restricted assets) with an original maturity date of three months or less are considered to be cash equivalents.
- 2. Accounts Receivable – Customer accounts receivable are presented at estimated net realizable value. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for September consumption. The allowance method is used for determining estimated uncollectible accounts. The allowance for uncollectible accounts is based on a percentage of gross sales to cover anticipated losses. The allowance account is adjusted periodically to cover management’s estimate of anticipated losses of its current accounts receivable. Receivables are written off against the allowance for uncollectible accounts when management feels any additional collection efforts would be unproductive.
- 3. Inventories – The inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Lake Apopka Natural Gas District
Notes to the Financial Statements

4. Prepaid Expenses – Payments made to vendors for services that will benefit future reporting periods.
5. Restricted Assets – The restricted assets shown on the statement of financial position represent those assets which are earmarked for specific purposes. The corresponding liability designated as payable from restricted assets represents the current maturities for which the restricted assets are accumulated. When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.
6. Capital Assets – All capital assets are stated at historical cost. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Land is the only capital asset not depreciated. Estimated useful lives are as follows:

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

7. Employee Benefits – Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued when incurred.
8. Deferred Outflow/Inflow of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time.

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

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

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

Lake Apopka Natural Gas District
Notes to the Financial Statements

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

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

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

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

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

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

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

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

E. Revenues and Expenses

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

F. Risk Management

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

G. Net Position

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

H. Estimates

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

Note 2 – Cash, Cash Equivalents and Investments:

Deposits:

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

Lake Apopka Natural Gas District
Notes to the Financial Statements

Investments:

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

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

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

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

As of September 30, 2024, the District has the following investments and maturities:

	2024 Fair Value	Weighted Average Maturity (Days)	Hierarchy Level
Investment by fair value level			
Debt securities			
U.S. Treasury Bills	\$ 10,992,773	66	2

The treasury bills had a maturity of six months at the date of purchase; therefore, they are recorded as investments in the statement of net position.

Note 3 – Receivables:

Accounts receivable have been reported, net of allowance for uncollectible accounts. The allowance for uncollectible accounts at September 30, 2024 was \$176,240. The allowance is based upon management’s specific identification of receivables that may become uncollectible.

Lake Apopka Natural Gas District
Notes to the Financial Statements

Note 4 – Capital Assets:

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

	Balance 9/30/2023	Additions	Deletions	Balance 9/30/2024
Land	\$ 282,229	\$ -	\$ -	\$ 282,229
Buildings	2,480,805	32,050	-	2,512,855
Gas distribution system	68,904,890	3,867,980	-	72,772,870
Office furniture and equipment	142,916	-	-	142,916
Computer equipment	640,055	-	-	640,055
Transportation equipment	1,573,522	378,077	(36,188)	1,915,411
Tools and work equipment	1,061,108	52,636	-	1,113,744
Communication equipment	128,808	2,753	-	131,561
Other equipment	2,795	-	-	2,795
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	75,217,128	4,333,496	(36,188)	79,514,436
Less: Accumulated depreciation	<u>(27,189,730)</u>	<u>(2,196,046)</u>	<u>36,188</u>	<u>(29,349,588)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Net	<u>\$ 48,027,398</u>	<u>\$ 2,137,450</u>	<u>\$ -</u>	<u>\$ 50,164,848</u>

Note 5 – Other Post-Employment Benefits:

Plan Description:

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

Plan Membership as of October 1, 2022:

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

Benefits Provided:

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

Lake Apopka Natural Gas District
Notes to the Financial Statements

Total OPEB Liability:

The measurement date is September 30, 2024.

The measurement period for the OPEB expense was October 1, 2023 to September 30, 2024.

The reporting period is October 1, 2023 through September 30, 2024.

The District's Total OPEB Liability was measured as of September 30, 2024.

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.06%
Initial Trend Rate	7.25%
Ultimate Trend Rate	4.00%
Years to Ultimate	52

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

Discount Rate:

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.06%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by the S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Rating Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

OPEB Expense:

For the fiscal year ended September 30, 2024, the District will recognize OPEB Expense of \$28,273.

Lake Apopka Natural Gas District
Notes to the Financial Statements

Changes in Total OPEB Liability:

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30, 2023	\$ 131,091
Changes for a Year:	
Service Cost	7,866
Interest	6,592
Changes of Assumptions	12,215
Benefit Payments	<u>(7,284)</u>
Net Changes	<u>19,389</u>
Reporting Period Ending September 30, 2024	<u>\$ 150,480</u>

Changes of assumptions reflect a change in the discount rate from 4.87% for the fiscal year ended September 30, 2023, to 4.06% for the fiscal year ended September 30, 2024.

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

	1% Decrease	Current Discount Rate	1% Increase
	3.06%	4.06%	5.06%
Total OPEB Liability	<u>\$ 168,758</u>	<u>\$ 150,480</u>	<u>\$ 135,082</u>

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

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

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.00% - 6.25%	4.00% - 7.25%	5.00% - 8.25%
Total OPEB Liability	<u>\$ 131,332</u>	<u>\$ 150,480</u>	<u>\$ 173,758</u>

Lake Apopka Natural Gas District
Notes to the Financial Statements

Note 6 – Long-Term Debt:

On December 14, 2016, the District secured a \$5,000,000 note payable at an interest rate of 2.14% for a ten-year period, and a revolving line of credit for \$2,500,000 at a monthly interest rate of LIBOR plus 1.25% for a minimum of three years. The revolving line of credit for \$2,500,000 with TD Bank was replaced with a \$3,000,000 credit line with Regions Bank with a three-year term commencing on February 19, 2020 at a monthly interest rate of LIBOR plus 125 basis points. The District did not renew the line of credit when it expired on February 19, 2023. At the end of the fiscal year, the note payable balance outstanding was \$1,183,774.

The District has pledged the net revenues generated by the overall system for payment of the note and revolving line of credit issued. The note and revolving line of credit are payable solely from the District's customers' net revenues payable through fiscal year 2027. Annual principal and interest payments on the note are currently expected to require approximately 5% of net revenues. The total principal and interest remaining on the note, as noted below under Debt Service Requirements, is \$1,212,485. Principal and interest paid for the current year and total customer net revenues were \$559,608 and \$7,900,097, respectively.

The following is a summary of changes in long-term debt for the fiscal year ended September 30, 2024:

	<u>Balance</u> <u>9/30/2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2024</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
2017 Note	\$ 1,711,907	\$ -	\$ 528,133	\$ 1,183,774	\$ 539,547
Net Pension Liability	5,376,775		63,813	5,312,962	-
Total OPEB Liability	131,091	19,389	-	150,480	-
Employee Benefits	880,294	-	68,330	811,964	187,504
	<u>\$ 7,850,008</u>	<u>\$ 19,389</u>	<u>\$ 660,276</u>	<u>\$ 7,459,180</u>	<u>\$ 727,051</u>

The annual debt service requirements for the note payable and revolving line of credit outstanding as of September 30, 2024 are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 539,547	\$ 20,061
2026	551,207	8,401
2027	93,020	249
Total Payments	<u>\$ 1,183,774</u>	<u>\$ 28,711</u>

Note 7 – Gas Rate Stabilization:

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

Note 8 – Dividend Payable:

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

On October 23, 2023, the Board approved resolution number 2023-03, entitled *A Resolution of Lake Apopka Natural Gas District Establishing Parameters for Future Member Dividend Distribution, Providing For Future Review and Revision As Best Meets The Needs Of The District, And Providing An Effective Date*. The resolution states that a recalculated dividend shall be paid, in equal proportions to each of the three member municipalities, for the fiscal years 2022-2023 and 2023-2024, in an amount equal to thirty three percent (33%) of the year end net revenues, or five hundred thousand dollars (\$500,000), whichever is less, or such lesser amount as may be permitted by the precise language of the charter; and, further, provided that, at all time, there shall remain, after such distribution, a minimum amount of net revenues in each fiscal year sufficient to pay the sum total of the then outstanding covenanted, or otherwise contracted to dispose of, obligations and liabilities of the District. The District paid dividends to member municipalities totaling \$1,454,147 during the fiscal year ended September 30, 2024. The Dividend Payable balance was \$13,814 at September 30, 2024 and is reported as Due to Other Governments in the Statement of Net Position.

Note 9 – Contingencies:

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

Note 10 – Other Matters:

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

Note 11 – Florida Retirement System Pension Plan:

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

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

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

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

Lake Apopka Natural Gas District
Notes to the Financial Statements

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

Funding Policy: The District is required to contribute at an actuarially determined rate. The current rate for regular members, senior management, and DROP participants is 13.57%, 34.52%, and 21.13%, respectively, of annual covered payroll, which includes the HIS Plan rate of 2.0%. The contribution requirements of the District are established and may be amended by the Florida Legislature. The District's contributions to the FRS for the years ended September 30, 2024, 2023, and 2022 were \$616,774, \$505,740, and \$457,799, respectively. Employees were required to begin contributing 3% to the retirement system effective July 1, 2011.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension – At September 30, 2024, the District reported a liability of \$3,705,874 and \$1,607,088 for its proportionate share of the Pension Plan and HIS Plan's net pension liability, respectively. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportionate share of the net pension liability was based on the District's 2023-24 fiscal year contributions relative to the 2023-24 fiscal year contributions of all participating members. At June 30, 2024, the District's proportionate share for the Pension Plan was .009579688%, which was an increase of .000306284% from its proportionate share measured as of June 30, 2023. At June 30, 2024, the proportionate share for the HIS Plan was .010713222%, which was an increase of .000124586% from its proportionate share measured as of June 30, 2023.

For the fiscal year ended September 30, 2024, the District recognized pension expense of \$605,167 for the Pension Plan, and \$62,598 for the HIS Plan.

Lake Apopka Natural Gas District
Notes to the Financial Statements

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

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 374,393	\$ -
Change of assumptions	507,924	-
Net difference between projected and actual earnings on Pension Plan investments	-	246,312
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	142,973	37,219
District Pension Plan contributions subsequent to the measurement date	<u>147,561</u>	<u>-</u>
Total	<u>\$ 1,172,851</u>	<u>\$ 283,531</u>

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

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 15,518	\$ 3,086
Change of assumptions	28,442	190,259
Net difference between projected and actual on HIS Plan investments	-	581
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	23,889	30,865
District HIS Plan contributions subsequent to the measurement date	<u>25,452</u>	<u>-</u>
Total	<u>\$ 93,301</u>	<u>\$ 224,791</u>

Lake Apopka Natural Gas District
Notes to the Financial Statements

The deferred outflows of resources related to the Pension Plan and HIS Plan, totaling \$147,561 and \$25,452, respectively, resulting from District contributions to the Plans subsequent to the measurement date, will be recognized as a reduction of the new pension liability in the fiscal year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Pension Plan Amount	HIS Plan Amount
2025	\$ (14,543)	\$ (26,735)
2026	644,718	(33,147)
2027	53,984	(45,593)
2028	18,482	(32,724)
2029	39,118	(15,077)
Thereafter	-	(3,666)
Total	\$ 741,759	\$ (156,942)

Pension Plan Actuarial Assumptions – The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.50%, average, including inflation
Investment rate of return	6.70%, net of Pension Plan investment expense
Mortality	PUB2010 base table varies by member category and sex

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2013.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash	1.0 %	3.3 %
Fixed income	29.0	5.7
Global equity	45.0	8.6
Real estate	12.0	8.1
Private equity	11.0	12.4
Strategic investments	2.0	6.6
Total	100.0 %	

Lake Apopka Natural Gas District
Notes to the Financial Statements

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

HIS Plan Actuarial Assumptions – The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.50%, average, including inflation
Municipal Bond Rate	3.93%
Mortality	Generational RP-2000 with Projection Scale MP 2021

HIS Plan Discount Rate – The discount rate used to measure the total pension liability was 3.93%. The prior year discount rate was 3.65%. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

	1% Decrease <u>(5.70%)</u>	Current Discount Rate <u>(6.70%)</u>	1% Increase <u>(7.70%)</u>
Pension Plan proportionate share of the net pension liability	\$ 6,518,502	\$ 3,705,874	\$ 1,349,701
		Current Discount Rate	
	1% Decrease <u>(2.93%)</u>	(3.93%)	1% Increase <u>(4.93%)</u>
HIS Plan proportionate share of the net pension liability	\$ 1,829,463	\$ 1,607,088	\$ 1,422,481

The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Detailed information regarding the FRS and HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024.

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

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

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

Reporting Period Ending Measurement Date	9/30/2024 9/30/2024	9/30/2023 9/30/2023	9/30/2022 9/30/2022	9/30/2021 9/30/2021	9/30/2020 9/30/2020
Total OPEB Liability					
Service Cost	\$ 7,866	\$ 9,155	\$ 9,028	\$ 9,330	\$ 10,096
Interest	6,592	6,973	4,371	3,913	5,332
Difference Between Expected and Actual Experienc	-	2,873	-	(2,772)	-
Change of Assumptions	12,215	(18,027)	(43,024)	(9,723)	27,766
Benefit Payments	<u>(7,284)</u>	<u>(7,997)</u>	<u>(6,203)</u>	<u>(6,132)</u>	<u>(5,401)</u>
Net Change in Total OPEB Liability	19,389	(7,023)	(35,828)	(5,384)	37,793
Total OPEB Liability - Beginning	131,091	138,114	173,942	179,326	141,533
Total OPEB Liability - Ending	<u>\$ 150,480</u>	<u>\$ 131,091</u>	<u>\$ 138,114</u>	<u>\$ 173,942</u>	<u>\$ 179,326</u>
Covered Employee Payroll	\$ 4,468,586	\$ 4,359,596	\$ 3,990,336	\$ 3,565,134	\$ 3,478,180
Total OPEB Liability as a percentage of Covered Employee Payroll	3.37%	3.01%	3.46%	4.88%	5.16%
Reporting Period Ending Measurement Date	9/30/2019 9/30/2019	9/30/2018 9/30/2018			
Total OPEB Liability					
Service Cost	\$ 9,007	\$ 8,787			
Interest	6,006	5,450			
Difference Between Expected and Actual Experienc	(12,287)	-			
Change of Assumptions	9,718	(9,056)			
Benefit Payments	<u>(11,113)</u>	<u>(11,707)</u>			
Net Change in Total OPEB Liability	1,331	(6,526)			
Total OPEB Liability - Beginning	140,202	146,728			
Total OPEB Liability - Ending	<u>\$ 141,533</u>	<u>\$ 140,202</u>			
Covered Employee Payroll	\$ 3,478,180	\$ 3,202,204			
Total OPEB Liability as a percentage of Covered Employee Payroll	4.07%	4.38%			

Notes to Schedule:

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

Fiscal Year Ended September 30, 2024:	4.06%
Fiscal Year Ended September 30, 2023:	4.87%
Fiscal Year Ended September 30, 2022:	4.77%
Fiscal Year Ended September 30, 2021:	2.43%
Fiscal Year Ended September 30, 2020:	2.14%
Fiscal Year Ended September 30, 2019:	3.58%
Fiscal Year Ended September 30, 2018:	4.18%
Fiscal Year Ended September 30, 2017:	3.64%

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

**Lake Apopka Natural Gas District
Required Supplementary Information
Schedule of Contributions**

Florida Retirement System (FRS) Defined Benefit Pension Plan

District's Fiscal Year Ended Sept. 30,	FRS Contractually Required Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2024	\$ 616,774	\$ 616,774	\$ -	\$ 4,623,901	13.34%
2023	\$ 505,740	\$ 505,740	\$ -	\$ 4,286,937	11.80%
2022	\$ 457,799	\$ 457,799	\$ -	\$ 4,169,934	10.98%
2021	\$ 392,969	\$ 392,969	\$ -	\$ 3,867,727	10.16%
2020	\$ 293,172	\$ 293,172	\$ -	\$ 3,764,787	7.79%
2019	\$ 297,921	\$ 297,921	\$ -	\$ 3,699,919	8.05%
2018	\$ 250,266	\$ 250,266	\$ -	\$ 3,586,313	6.98%
2017	\$ 229,868	\$ 229,868	\$ -	\$ 3,431,192	6.70%
2016	\$ 211,132	\$ 211,132	\$ -	\$ 3,326,467	6.35%
2015	\$ 219,757	\$ 219,757	\$ -	\$ 2,949,736	7.45%

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

District's Fiscal Year Ended Sept. 30,	HIS Contractually Required Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2024	\$ 92,478	\$ 92,478	\$ -	\$ 4,623,901	2.00%
2023	\$ 85,739	\$ 85,739	\$ -	\$ 4,169,934	2.06%
2022	\$ 69,188	\$ 69,188	\$ -	\$ 4,169,934	1.66%
2021	\$ 64,204	\$ 64,204	\$ -	\$ 3,867,727	1.66%
2020	\$ 62,256	\$ 62,256	\$ -	\$ 3,764,787	1.65%
2019	\$ 61,419	\$ 61,419	\$ -	\$ 3,699,919	1.66%
2018	\$ 59,111	\$ 59,111	\$ -	\$ 3,586,313	1.65%
2017	\$ 58,272	\$ 58,272	\$ -	\$ 3,431,192	1.70%
2016	\$ 54,924	\$ 54,924	\$ -	\$ 3,326,467	1.65%
2015	\$ 40,320	\$ 40,320	\$ -	\$ 2,949,736	1.37%

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

Florida Retirement System (FRS) Defined Benefit Pension Plan

District's Fiscal Year Ended Sept. 30,	Plan Sponsor Measurement Date June 30,	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2024	2024	0.0096%	\$ 3,705,874	\$ 4,623,901	80.15%	82.38%
2023	2023	0.0093%	\$ 3,695,158	\$ 4,286,937	86.20%	82.38%
2022	2022	0.0094%	\$ 3,497,444	\$ 4,169,934	83.87%	82.89%
2021	2021	0.0095%	\$ 716,898	\$ 3,867,727	18.54%	96.40%
2020	2020	0.0088%	\$ 3,824,316	\$ 3,764,787	101.58%	78.85%
2019	2019	0.0089%	\$ 3,070,310	\$ 3,699,919	82.98%	82.61%
2018	2018	0.0088%	\$ 2,645,041	\$ 3,586,313	73.75%	84.26%
2017	2017	0.0088%	\$ 2,611,870	\$ 3,431,192	76.12%	83.89%
2016	2016	0.0086%	\$ 2,186,079	\$ 3,326,467	65.72%	84.88%
2015	2015	0.0090%	\$ 1,164,215	\$ 2,949,736	39.47%	92.00%

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

District's Fiscal Year Ended Sept. 30,	Plan Sponsor Measurement Date June 30,	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2024	2024	0.0109%	\$ 1,607,088	\$ 4,623,901	34.76%	4.12%
2023	2023	0.0106%	\$ 1,681,617	\$ 4,286,937	39.23%	4.81%
2022	2022	0.0109%	\$ 1,155,026	\$ 4,169,934	27.70%	3.56%
2021	2021	0.0109%	\$ 1,333,294	\$ 3,867,727	34.47%	3.00%
2020	2020	0.0108%	\$ 1,319,108	\$ 3,764,787	35.04%	2.63%
2019	2019	0.0109%	\$ 1,229,646	\$ 3,699,919	33.23%	2.15%
2018	2018	0.0109%	\$ 1,153,673	\$ 3,586,313	32.17%	1.64%
2017	2017	0.0110%	\$ 1,177,327	\$ 3,431,192	34.31%	0.97%
2016	2016	0.0105%	\$ 1,248,843	\$ 3,326,467	37.54%	0.50%
2015	2015	0.0107%	\$ 1,075,160	\$ 2,949,736	36.45%	0.99%

Florida Retirement System

NOTE 1 - CHANGES IN BENEFIT TERMS

FRS Pension Plan:

2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015:

No significant changes.

HIS Program:

2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015:

No significant changes.

NOTE 2 - CHANGES IN ASSUMPTIONS

FRS Pension Plan:

2024:

No significant changes.

2023:

No significant changes.

2022:

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

2021:

No significant changes.

2020:

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

2019:

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

2018:

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

2017:

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

2016:

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

HIS Program:

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

2024: 3.93%

2023: 3.65%

2022: 3.54%

2021: 2.16%

2020: 2.21%

2019: 3.50%

2018: 3.87%

2017: 3.58%

2016: 2.85%

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*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the basic financial statements, as listed in the table of contents, of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated March 17, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to the District's management, in a separate letter dated March 17, 2025.

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.

Forvis Mazars, LLP

**Orlando, Florida
March 17, 2025**

Independent Auditor's Management Letter

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

Report on the Financial Statements

We have audited the basic financial statements of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated March 17, 2025.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit on Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Accountant's Report on an examination conducted with 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 17, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. There were no special district component units that were required to provide financial information to the District for the fiscal year ended September 30, 2024.

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

- (A) The total number of district employees compensated in the last pay period of the District's fiscal year as 64.
- (B) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 3.
- (C) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$4,609,103.
- (D) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$2,315,985.
- (E) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as listed below:
 - o SR19 – 4" HP Steel Main Extension, Phase 2, Groveland \$84,463
 - o Villa City Road, Phase 2, Groveland/Mascotte \$352,638
 - o Willow Ridge, Phase 1 & 2, Montverde \$74,968
 - o Winter Groves, Winter Garden \$92,759
 - o Emmerson Pointe, Apopka \$66,816
 - o Winding Meadows, Phase 2, Apopka \$67,506
- (F) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes, as \$0.

Additional Matters

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

To the Board of Commissioners
Lake Apopka Natural Gas District

Purpose of this Letter

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

Forvis Mazars, LLP

**Orlando, Florida
March 17, 2025**

Independent Accountant's Report

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

We have examined the compliance of the Lake Apopka Natural Gas District (the District) with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2024. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2024.

Forvis Mazars, LLP

Orlando, Florida
March 17, 2025