LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
SEPTEMBER 30, 2017

TABLE OF CONTENTS

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Lake Apopka Natural Gas District (the District) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of September 30, 2017, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Matters

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 14, 2018, 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.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 14, 2018

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, 2017. 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 $25,900,294 (total net position) for fiscal year 2017. This is consistent with the previous fiscal year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $24,792,082.

The District’s total revenues were $16,115,293, including interest income, in spite of the challenging regulatory, legislative and economic environment that exists. Although the 2016/2017 winter was one of the warmest on record, the District was able to generate a significant increase in revenue because of increased consumption from 1,426 new customers. The revenue from the District’s new customers significantly contributed to the District’s financial performance in fiscal year 2017.

In 2017, the District executed and recorded 10 new residential subdivision developer agreements in Orange and Lake counties. The developers/builders plan to build 736 new homes that will generate an estimated 231,615 therms annually. The District has executed residential agreements for the following subdivisions: Hilltop Reserve Phases 3 and 4, The Cove at Hamlin Phases 3 and 4, Overlook at Hamlin Phase 4, Waterside at Johns Lake Phase 2-B, Park Place at Winter Garden, Heritage at Plant Street, Windermere Isles and Vistas at Waters Edge in Orange County, and The Canyons at Highland Ranch Phase 3 in Lake County. The largest subdivisions were Vistas at Waters Edge with 143 homes, and Windermere Isles with 117 homes. Taylor Morrison Homes, CalAtlantic Homes, K. Hovnanian, M/I Homes, and Beazer Homes and other home builders have executed agreements with the District to install natural gas systems in their new subdivisions.

New residential home development and commercial business within the District are still vibrant and continue at a robust rate of growth. The new residential developer agreements and commercial accounts that were placed in service during the 2017 fiscal year increased the District’s overall financial performance and our customer base grew to over 20,000 customers. The Marketing Department converted 44 competitive fuel commercial accounts to natural gas during 2017 with an annual consumption of 655,349 therms. The District’s largest commercial load came from the City of Apopka’s Water Treatment Plant with an estimated annual load of 274,560 therms.

The District continues to serve the Hiawassee system through a wholesale master meter agreement with TECO. This continues to be beneficial because the District does not have to acquire additional firm pipeline capacity or build a costly main extension to serve these customers.

The District used $4,819,746 in cash flow to acquire additional capital assets, compared to $5,110,309 for the previous year. This year we have added a total of 27.31 miles of mains and 1,700 services into our existing distribution system. The largest capital expenditure was on the construction of a 4-mile long, 6-inch high-pressure steel pipe connecting the Kelly Park Road Measurement and Regulator Station (M&R) and Plymouth Regulator Gate Station. With this pipeline in place, the new Kelly Park Road M&R Station allows the District to meet all current and future pressure issues in our North Apopka, Zellwood and Plymouth areas when facing cold weather. Other major capital investments were for system improvement projects, such as the completion of a 4-inch steel main on C.R. 535 from Lakeside Village to Chase Road in Windermere and the 6-inch pipeline project on Blackstill Lake Road in Winter Garden, which provides a back-feed loop to support Bella Collina when needed. As always, there were road projects that caused the District to expend resources to relocate pipelines. The major gas main relocation projects in 2017 were to relocate 2,600 feet of 4-inch high-pressure steel main on John's Lake Road in Clermont and 500 feet of 4-inch high-pressure main on C.R. 535 at S.R. 429 in Winter Garden. In addition to the above improvements and relocations, the District continued with the systematic replacement of legacy black plastic distribution systems for liability control. Several replacement projects were scheduled and completed in Apopka's old sections of town.

There were many new subdivisions and phase expansion projects because of the continued resurgence of homebuilding in our market. We are continuing to install distribution lines in Hunter Run, Oakland Park, Ardmore Reserve, Havencrest, Stanton Estates, Arden Park, Highland Ranch, Waterside, Highland at Summer Lake, Trilogy, Ardmore Reserve, Orchid Estates, Sanctuary at Hamlin, Windermere Isle, Park Place and Heritage at Plant Street. In the commercial and industrial arenas, the District built main extensions that will serve the Publix at Hamlin in Winter Garden and Lake Sumter State College in Clermont. We completed the expansion of the CNG fill station at the District's main office in early February 2017. The new CNG station upgrade has doubled our storage capacity and gives us the capability to fuel our vehicles at a much faster rate than before. It supports the District's growing fleet of CNG vehicles and promotes CNG use as a motor fuel in our community.

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 to provide natural gas service. 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 $25,900,294. This is an increase of $1,108,212 over last year's net position of $24,792,082. 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

	2016	2017
Current Assets	$ 4,250,967	$ 4,905,099
Noncurrent Assets	30,487,099	33,752,539
Total Assets	34,738,066	38,657,638
Deferred outflows	1,339,384	1,552,620
Current Liabilities	4,826,221	5,058,242
Long-Term Liabilities	6,393,662	9,033,813
Total Liabilities	11,219,883	14,092,055
Deferred inflows	65,485	217,909
Net Position:		
Invested in capital assets, net of related debt	27,987,099	29,098,346
Unrestricted	(3,195,017)	(3,198,052)
Total Net Position	$ 24,792,082	$ 25,900,294

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

	2016	2017
Revenues:		
Charges for services	$ 14,325,298	$ 15,590,665
Other operating revenues	1,055,881	512,238
Other non-operating revenues	10,509	12,390
Total Revenues	15,391,688	16,115,293
Expenses:		
Natural gas costs	3,145,259	4,194,320
Personal services	4,837,214	4,975,955
Advertising and marketing	852,436	1,337,060
Repairs and maintenance	640,918	711,007
Other operating expenses	1,838,780	2,144,281
Depreciation	1,402,340	1,554,306
Other non-operating expenses	143,787	90,152
Total expenses	12,860,734	15,007,081
Change in Net Position	2,530,954	1,108,212
Net Position - beginning	22,261,128	24,792,082
Net Position - end of year	$ 24,792,082	$ 25,900,294

The revenues increased by $723,605 and expenses increased by $2,146,347 for the District. The increase in revenue was primarily due to the increased cost for natural gas in the amount of $1,049,061 and the decline in the aid in construction revenue from performance deposits forfeitures in the other operating revenue category from a high of $821,380 in 2016 to $85,036 in 2017. The cost of natural gas is a pass through that is reflected as part of revenue. Annual increases in natural gas costs increases revenue, while decreases erode revenue. The District's cost of natural gas increased by $1,049,61, or 33%, due to the significant increase in the price of natural gas consumed by our customers in fiscal year 2017. The price increases in the natural gas price were passed on to the consumers. During the year, our customer base increased from 19,011 to 20,437, or 8%, primarily due to new customers having access to natural gas from new developer agreements, which stimulated additional consumption. Our operating expenses for advertising and marketing increased significantly due to outstanding developer agreements that required the District to pipe homes for natural gas consumption on the properties of homeowners. The number of houses that required house piping increased significantly over 2016 in fiscal year 2017. The other operating expenses and depreciation increased because of the significant increases in our customer base and the expansion of our distribution system during the year. Revenues were controlled by using the gas stabilization fund to mitigate the financial impact from over and under recovery collections of gas supply cost 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.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, on September 30, 2017, was $33,752,539. This represents an increase of $3,265,440 over the previous year, primarily due to the increased investment in the gas distribution system and furniture, machinery and equipment totaling $4,702,841.

Capital Assets
Net of Accumulated Depreciation

	2016	2017
Non-depreciable Assets:		
Land	$ 282,229	$ 282,229
Depreciable Assets:		
Buildings	1,509,205	1,543,790
Gas distribution system	27,325,012	30,377,371
Furniture, machinery and equipment	1,370,653	1,549,149
Total	$ 30,487,099	$ 33,752,539

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% from TD Bank for a minimum of three years. The revolving line of credit note of $2,500,000 with Regions Bank was retired on the same day. Debt proceeds were used to retire the revolving line of credit with Regions Bank. At the end of the fiscal year, the note payable balance outstanding was $4,654,193 and the revolving line of credit balance was $525,000. The District pledged the net revenues of the natural gas system as security for the notes.

Long-Term Debt

2016	2017
$ 2,500,000	$ 5,179,193

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

Economic Factors

The 2018 housing market forecasted by local, state and national economists, indicates the available new home stock is down by 17% from over a year ago in the Orlando area; but building is at a steady, level pace, with home prices continuing to increase and with no foreseeable housing bubble. There is more demand for housing than there is available housing stock. With the District's affordable natural gas prices, our rebate program, the strong residential home-building and commercial markets, and the popularity of natural gas amongst the numerous retirees coming from northern and mid-western states, the District is afforded excellent bargaining tools to negotiate builder agreements to extend our infrastructure and increase our customer base. The District is in conversations with several developers and builders and, if the extensions meet our feasibility evaluation and we secure the agreements, we could see a growth of over 1,500 housing units from 2018 - 2020. We aggressively continue our marketing, sales and public relations efforts to promote natural gas as a domestic, clean, affordable, reliable, versatile and environmentally friendly energy for homes, businesses and vehicles.

Hurricane Irma changed the lives of many Floridians during and in its aftermath. One of the aftermath concerns is the mandated rule by Governor Scott, that all nursing homes and assisted living facilities have backup generators in their facilities in the event they lose the power supply for the use of essential equipment and air conditioning. The backup generator must be able to provide power for a minimum of ninety-six hours. The District is working with the Florida Natural Gas Association (FNGA) to stay abreast of changes to this rule and identify, through a Florida State database, information on all nursing homes and assisted living facilities in our service territory. The District has reached out to these facilities to provide information on generators fueled by natural gas and to offer natural gas service if it is available.

The District continued improving its Information Systems in areas, such as reliable customer service, automation of service activities, technology enhancements, and professional development. Our reliable customer service was enhanced by redesigning the payment section of the customer portal and it has received very favorable feedback from customers. A further enhancement allowed customers to submit and review their rebates submissions online. We automated service activities by implementing recurring maintenance tasks in our service order software, thereby eliminating the data entry of thousands of manually created orders each year. Technology enhancements were realized by upgrading our critical business systems (billing, mapping, service orders, customer website, mobile apps, interactive voice recognition). This upgrade was a major effort of time and energy with a high level of complexity due to the integration of these systems. These upgrades positively impacted our security and reliability, while allowing us to make the customer delivered improvements already noted. We experienced no downtime during Hurricane Irma of our major business systems (billing, service orders, mapping software), in part, due to the upgrade effort. Information Systems contributed to District professional development by training users on their usage of the District Map based on standards developed by the GIS team. In addition, we kicked off formal training for phishing attacks, which many security analysts believe is the number one corporate threat.

The District will continue to rely on Infinite Energy 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 has been active in safety and damage prevention. The District has an active safety committee which meets quarterly at a minimum and hosts safety training on a variety of topics for District employees, such as safe driving, workplace violence, stress management, ladder safety, first aid/CPR/AED, dog bite prevention techniques and the importance of sleep. The District also has 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 District received the American Public Gas Association's Silver SOAR Award in 2016, which is good for three years. The SOAR Award, which stands for System Operational Achievement Recognition, recognizes those public gas systems that have achieved excellence in the operation of their natural gas utility. Safety is an integral part of the criteria reviewed for the award. We plan to apply for the Gold SOAR Award in the near future. The District maintains our commitment to placing a strong emphasis on the safety of both our employees and the public.

Training and Community Involvement

Management encourages employees to participate in industry associations and its training programs to increase their technical skills and competency in the natural gas industry. Employees participate and hold leadership positions on the Sunshine 811 Board of Directors, American Public Gas Executive Board of Directors, Board of Directors of the Florida Natural Gas Association and the Florida Municipal Natural Gas Association. District employees receive training in all elements of the natural gas industry to keep abreast of new developments, regulations and disaster preparedness. During the past year, the District, the cities of Winter Garden, Apopka, Clermont and Orange County implemented their disaster preparedness plans to successfully confront Hurricane Irma.

The District has also been active in our community by partnering with SAMS Club to assist Special Needs children, and in successfully deploying our Public Awareness Plan within the community. The District is involved in the Central Florida Rotary Club, and we also join hands with our Community Fire Departments in Children's Education, quarterly meetings with Orange County and Lake County Fire and Rescue efforts. We train and participate with our local Emergency Operations Centers.

The District recently received a clean audit from the Florida Public Service Commission, which found no systemic issues with our utility regarding the Safety and Operational Maintenance review. This has been truly a good year for Community Safety, Public Awareness Involvement, Operations Qualifications, Emergency Plan Effectiveness, Community Service Efforts, and governmental operational audits.

Contacting the District's Financial Management

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

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

ASSETS

Current Assets:		
Cash and cash equivalents	$	485,622
Restricted cash and cash equivalents		2,917,944
Accounts receivable (net of allowance for uncollectibles)		751,982
Inventory		653,487
Prepaid expenses		96,064
Total Current Assets		4,905,099
Noncurrent Assets:		
Capital Assets:		
Land		282,229
Buildings		2,338,894
Gas distribution system		45,152,782
Machinery and equipment		4,221,959
Less: Accumulated Depreciation		(18,243,325)
Total Noncurrent Assets		33,752,539
TOTAL ASSETS		38,657,638

DEFERRED OUTFLOWS

Deferred outflows related to pensions		1,552,620
Total Deferred Outflows		1,552,620

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	$	830,611
Accrued wages and benefits payable		312,656
Accrued taxes payable		163,778
Current portion of note payable		464,547
Gas rate stabilization		368,706
Total Current Liabilities (Payable From Current Assets)		2,140,298
Current Liabilities (Payable From Restricted Assets):		
Customer deposits		2,482,944
Developer deposits		435,000
Total Current Liabilities (Payable From Restricted Assets)		2,917,944
Noncurrent Liabilities:		
FRS net pension liability		2,611,870
State of Florida HIS net liability		1,177,327
Note payable		4,189,646
Revolving line of credit		525,000
Accrued benefits payable		529,970
Total Noncurrent Liabilities		9,033,813
TOTAL LIABILITIES		14,092,055

DEFERRED INFLOWS

Deferred inflows related to pensions		217,909
Total Deferred Inflows		217,909

NET POSITION

Invested in capital assets, net of related debt		29,098,346
Unrestricted		(3,198,052)
TOTAL NET POSITION	$	25,900,294

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Operating Revenues:	
Charges for services	$ 15,590,665
Other operating revenues	512,238
Total Operating Revenues	16,102,903
Operating Expenses:	
Natural gas purchases	4,194,320
Personal services	4,975,955
Insurance	109,152
Repairs and maintenance	711,007
Professional services	422,097
Advertising and marketing	1,337,060
Bad debt expense	36,000
Travel and per diem	73,703
Gas, oil and fuel	75,698
Freight and postage	143,941
Materials	566,321
Communication services	50,767
Utilities	98,066
Supplies	47,093
Bank charges	201,560
Dues and subscriptions	48,912
Other operating expenses	270,971
Depreciation	1,554,306
Total Operating Expenses	14,916,929
Operating Income	1,185,974
Nonoperating Revenues (Expenses):	
Interest income	12,390
Interest expense	(90,152)
Total Nonoperating Revenues (Expenses)	(77,762)
Change in net position	1,108,212
Total Net Position - Beginning	24,792,082
Total Net Position - Ending	$ 25,900,294

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, 2017

Cash Flows From Operating Activities:		
Cash received from customers	$	16,026,511
Cash payments to suppliers for goods and services		(8,768,939)
Cash payments to employees for services		(4,607,025)
Net Cash Provided By Operating Activities		2,650,547
Cash Flows From Capital and Related Financing Activities:		
Proceeds from note payable and revolving line of credit note		5,525,000
Acquisition and construction of capital assets		(4,819,746)
Principal paid on note payable and revolving line of credit note		(2,845,807)
Interest paid on note payable and revolving line of credit note		(90,152)
Net Cash Used By Capital and Related Financing Activities		(2,230,705)
Cash Flows From Investing Activities:		
Interest		12,390
Net Increase in Cash and Cash Equivalents		432,232
Cash and Cash Equivalents at October 1		2,971,334
Cash and Cash Equivalents at September 30 (1)	$	3,403,566

(1) Cash - Unrestricted Assets	$	485,622
Cash and Cash Equivalents - Restricted Assets		2,917,944
	$	3,403,566

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	$	1,185,974
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		1,554,306
Changes in Assets and Liabilities:		
(Increase) decrease in receivables		(110,167)
(Increase) decrease in inventory		(66,223)
(Increase) decrease in prepaid expenses		(45,510)
Increase (decrease) in accounts payable		(270,538)
Increase (decrease) in accrued wages and benefits		75,467
Increase (decrease) in taxes payable		13,446
Increase (decrease) in net customer/developer deposits		92,416
Increase (decrease) in gas rate stabilization		(72,087)
Increase (decrease) in net pension liability/deferrals		293,463
Net Cash Provided By Operating Activities	$	2,650,547

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. The allowance method is used for determining estimated uncollectible accounts. The allowance for uncollectible accounts is based on a percentage of gross sales to cover anticipated losses. The allowance account is adjusted periodically to cover management's estimate of anticipated losses of its current accounts receivable. Receivables are written off against the allowance for uncollectible accounts when management feels any additional collection efforts would be unproductive.

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

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

5. Restricted Assets – The restricted assets shown on the balance sheet 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 GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. Details on the composition of the deferred outflows related to pensions are further discussed in Note 10.

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

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

10. Employee Benefits – Employees earn annual vacation leave at the rate of 10 days per year for the first 5 years of service, after which they earn additional time based upon the District's vacation schedule whereby an employee has 15 days per year after 10 years of service; 20 days per year after 20 years of service; and 25 days per year after 25 years of service. Employees can accumulate up to 5 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.

    Employees earn sick leave at the rate of 4 hours per month for 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.

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.

2. Unbilled revenue, which results from cyclical billing practices, is recorded in the following fiscal year for residential and commercial customers.

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 generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Deposits:

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

Note 3 – Receivables:

Accounts receivable have been reported, net of allowance for uncollectible accounts. The allowance for uncollectible accounts at September 30, 2017 was $35,937. The allowance is based upon management's specific identification of receivables that may become uncollectible.

Note 4 – Capital Assets:

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

	Balance 9/30/16	Additions	Deletions	Balance 9/30/17
Land	$ 282,229	$ -	$ -	$ 282,229
Buildings	2,221,987	116,907	-	2,338,894
Gas distribution system	40,943,315	4,209,467	-	45,152,782
Office furniture and equipment	208,097	1,280	-	209,377
Computer equipment and software	1,127,442	57,979	-	1,185,421
Transportation equipment	1,062,706	201,744	(100,561)	1,163,889
Tools and work equipment	1,274,500	220,716	-	1,495,216
Communication equipment	153,608	11,653	-	165,261
Other equipment	2,795	-	-	2,795
Totals	47,276,679	4,819,746	(100,561)	51,995,864
Less: Accumulated depreciation	(16,789,580)	(1,554,306)	100,561	(18,243,325)
Net	$ 30,487,099	$ 3,265,440	$ -	$ 33,752,539

Note 5 – Post-Employment:

Post-Employment Health Care Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health care benefits to eligible former employees and eligible dependents. Premiums are paid by the insured. This program is offered for a period of 18 months after the termination date. The associated cost to the District under this program is undeterminable due to the composite rate structure, which charges the same for all employees.

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. Proceeds from the note payable were used to retire the 2016 revolving line of credit note. At the end of the fiscal year, the note payable balance outstanding was $4,654,193 and the revolving line of credit balance was $525,000.

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 26% of net revenues. The total principal and interest remaining on the note, as noted below under Debt Service Requirements, is $5,682,465. Principal and interest paid for the current year and total customer net revenues were $2,935,959 and $2,752,670, respectively.

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	Balance 10/1/16	Additions	Reductions	Balance 9/30/17	Amount Due in One Year
Notes,					
2017 Note	$ -	$ 5,000,000	$ 345,807	$ 4,654,193	$ 464,547
2016 Revolving Line of Credit Note	2,500,000	-	2,500,000	-	-
2017 Revolving Line of Credit	-	525,000	-	525,000	-
Net Pension Liability	3,434,922	354,275	-	3,789,197	-
Employee Benefits	602,946	191,216	125,692	668,470	138,427
Total	$ 6,537,868	$ 6,070,491	$ 2,971,499	$ 9,636,860	$ 602,974

The annual debt service requirements for the note payable and revolving line of credit outstanding as of September 30, 2017 are as follows:

Year Ending September 30,	Principal	Interest
2018	$ 464,547	$ 108,107
2019	474,587	98,067
2020	1,009,843	76,396
2021	495,321	64,287
2022	506,026	53,583
Thereafter	2,228,869	102,832
Total Payments	$ 5,179,193	$ 503,272

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 – Contingencies:

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

Note 9 – 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 10 – 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 Plan to the Division of Retirement. The Florida Legislature establishes and amends benefit provisions and contribution levels.

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

Pension Plan members may participate in a Deferred Retirement Option Plan (DROP), after reaching eligibility for normal retirement or through the available deferral period for eligible members. This plan allows employees to defer receipt of retirement benefits while continuing employment with a FRS employer for up to 60 months. Accumulated system benefits earn 1.3% interest compounded monthly. The employer continues to contribute to the FRS on behalf of the employee.

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

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

Funding Policy: The District is required to contribute at an actuarially determined rate. The current rate for regular members, senior management, and DROP participants is 7.46%, 21.71%, and 12.99%, respectively, of annual covered payroll, which includes the HIS Plan rate of 1.66%. The contribution requirements of the District are established and may be amended by the Florida Legislature. The District's contributions to the FRS for the years ended September 30, 2017, 2016 and 2015 were $301,087, $282,329, and $224,080, 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, 2017, the District reported a liability of $2,611,870 and $1,177,327 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share for the Pension Plan was .008830052%, which was a decrease of .000172348% from its proportionate share measured as of June 30, 2016. At June 30, 2017, the proportionate share for the HIS Plan was .011010810%, which was an increase of .00029535% from its proportionate share measured as of June 30, 2016.

For the year ended September 30, 2017, the District recognized pension expense of $474,389 for the Pension Plan, and $100,868 for the HIS Plan.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 239,707	$ 14,468
Change of assumptions	877,773	-
Net difference between projected and actual earnings on Pension Plan investments	-	64,729
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	142,766	34,456
District Pension Plan contributions subsequent to the measurement date	57,259	-
Total	$ 1,317,505	$ 113,653

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 2,451
Change of assumptions	165,492	101,805
Net difference between projected and actual on HIS Plan investments	653	-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	55,415	-
District HIS Plan contributions subsequent to the measurement date	13,555	-
Total	$ 235,115	$ 104,256

The deferred outflows of resources related to the Pension Plan and HIS Plan, totaling $57,259 and $13,555, 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 ending September 30, 2018. 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
2018	$ 198,766	$ 19,955
2019	$ 198,766	$ 19,955
2020	$ 183,543	$ 19,955
2021	$ 162,125	$ 17,988
2022	$ 160,441	$ 15,445
Thereafter	$ 242,952	$ 24,006

Pension Plan Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.10%, net of Pension Plan investment expense
Mortality	Generational RP-2000 with Projection Scale BB

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 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:

Asset Class	Target Allocation	Annual Arithmetic Return
Cash	1.0 %	3.0 %
Fixed income	18.0	4.5
Global equity	53.0	7.8
Real estate	10.0	6.6
Private equity	6.0	11.5
Strategic investments	12.0	6.1
Total	100.0 %	

Pension Plan Discount Rate – The discount rate used to measure the total pension liability was 7.10%. The prior year discount rate was 7.60%. 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal Bond Rate	3.58%
Mortality	Generational RP-2000 with Projection Scale BB

HIS Plan Discount Rate – The discount rate used to measure the total pension liability was 3.58%. The prior year discount rate was 2.85%. 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 (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Pension Plan proportionate share of the net pension liability	$ 4,727,327	$ 2,611,870	$ 855,556

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
HIS Plan proportionate share of the net pension liability	$ 1,343,486	$ 1,177,327	$ 1,038,925

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 Comprehensive Annual Financial Report for the year ended June 30, 2017.

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
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 Employee Payroll	FRS Contributions as a Percentage of Covered Payroll
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	$ -	$ 2,949,763	7.45%
2014	$ 197,434	$ 197,434	$ -	$ 2,016,036	9.79%

Notes:
The District implemented GASB Statement No. 68 for the fiscal year ended September 30, 2015, including restatement as of September 30, 2014. Information for prior years is not available.

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

District's Fiscal Year Ended Sept. 30,	HIS Contractually Required Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Employee Payroll	HIS Contributions as a Percentage of Covered Payroll
2017	$ 54,912	$ 54,912	$ -	$ 3,307,937	1.66%
2016	$ 54,924	$ 54,924	$ -	$ 3,308,429	1.66%
2015	$ 40,320	$ 40,320	$ -	$ 3,198,614	1.26%
2014	$ 34,717	$ 34,717	$ -	$ 3,007,478	1.15%

Notes:
The District implemented GASB Statement No. 68 for the fiscal year ended September 30, 2015, including restatement as of September 30, 2014. Information for prior years is not available.

Lake Apopka Natural Gas District
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 Employee 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
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	$ 2,949,763	39.47%	92.00%
2014	2014	0.0074%	$ 1,266,714	$ 2,016,036	62.83%	96.09%

Notes:
The District implemented GASB Statement No. 68 for the fiscal year ended September 30, 2015, including restatement as of September 30, 2014. Information for prior years is not available.

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

District's Fiscal Year Ended Sept. 30,	Plan Sponsor Measurement Date June 30,	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Employee 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
2017	2017	0.0110%	$ 1,177,327	$ 3,307,937	35.59%	1.64%
2016	2016	0.0105%	$ 1,248,843	$ 3,308,429	37.75%	0.97%
2015	2015	0.0107%	$ 1,075,160	$ 3,198,614	33.61%	0.50%
2014	2014	0.0101%	$ 966,589	$ 3,007,478	32.14%	0.99%

Notes:
The District implemented GASB Statement No. 68 for the fiscal year ended September 30, 2015, including restatement as of September 30, 2014. Information for prior years is not available.

Florida Retirement System

NOTE 1 - CHANGES IN BENEFIT TERMS

FRS Pension Plan:

2017, 2016 and 2015:

No significant changes.

HIS Program:

2017, 2016 and 2015:

No significant changes.

NOTE 2 - CHANGES IN ASSUMPTIONS

FRS Pension Plan:

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.

2015:

No significant changes. The inflation assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%.

HIS Program:

2017:

The municipal rate used to determine total pension liability increased from 2.85% to 3.58%.

2016:

The municipal rate used to determine total pension liability decreased from 3.80% to 2.85%.

2015:

The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

MSL

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements, as listed in the table of contents, of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 14, 2018.

Internal Control over Financial Reporting

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

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

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

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 determination of financial statement amounts. 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 14, 2018.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 14, 2018

Certified Public Accountants

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the basic financial statements of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 14, 2018.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit on Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Accountant's Report on an examination conducted with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 14, 2018, 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. Corrective actions have been taken to address findings and recommendations 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. The legal authority is disclosed in the notes to the financial statements.

Financial Condition and Management

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

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

Pursuant to Sections 10.554(1)(i)5.c. 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 address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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, 2017.

Additional Matters

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

Purpose of this Letter

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

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 14, 2018

MSL

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the compliance of the Lake Apopka Natural Gas District (the District) with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2017. 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 those requirements. An examination involves performing procedures to obtain evidence about the District's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance, 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. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2017.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 14, 2018