

FINANCIAL STATEMENTS
Lake County Water Authority
Year Ended September 30, 2020
with Independent Auditor's Report

**LAKE COUNTY WATER AUTHORITY
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2020**

Margaret (Peggy) Cox	Board Member-District 1
Trampis Bonjorn	Board Member-District 2
Carolyn Maimone, Vice Chairman	Board Member-District 3
Robert “Butch” Hendrick	Board Member-District 4
Amy Stone, Chairman	Board Member-District 5
Courtney Stokes	Board Member-At-Large
Keith A. Farner	Board Member-At-Large
Gary J. Cooney	Secretary-Treasurer
Ron Hart	Executive Director

LAKE COUNTY WATER AUTHORITY
SEPTEMBER 30, 2020

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LAKE COUNTY WATER AUTHORITY
SEPTEMBER 30, 2020

ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE WITH *GOVERNMENT
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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Lake County Water Authority
Tavares, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund (General Fund) of the Lake County Water Authority (the "Authority") as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's 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 an opinion 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 Authority'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 Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Authority as of September 30, 2020, and the respective changes in financial position for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Governing Board
Lake County Water Authority
Tavares, Florida

INDEPENDENT AUDITOR'S REPORT
(Concluded)

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2021, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 16, 2021

Management's Discussion and Analysis

As management of the Lake County Water Authority (the Authority) we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements, which follow this section.

Financial Highlights

The Authority's assets exceeded its liabilities at September 30, 2020 by \$ 35,153,075 (net position). Of this amount, \$ 12,213,886 (unrestricted net position) may be used to meet the organization's ongoing obligations to its customers and creditors.

The Authority's total net position increased \$ 1,341,605 as a result of current year operations.

Long-term liabilities are made up of an asset retirement obligation and accrued compensated absences, net pension liability and other post-employment benefits for its employees. The amount outstanding at September 30, 2020 is \$ 2,765,372 of which \$ 45,425 is classified as current and \$ 2,719,947 as long-term.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also includes supplementary information that explains in more detail some of the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements of the Authority provide a broad overview of the Authority's finances and report information about the Authority using accounting methods similar to those used by private sector companies.

The Statement of Net Position presents the Authority's assets less its liabilities at year end. The difference between these assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is changing.

The Statement of Activities presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has only one fund, the General Fund, which is a governmental fund type.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these funds focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. As a result of this difference in focus, a reconciliation is provided in the notes to the financial statements between the fund and government-wide statements.

The basic governmental fund financial statement can also be found on pages 10 and 12 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 14 of this report.

Government-Wide Financial Analysis

Our analysis of the government-wide financial statements of the Authority begins below. The Statement of Net Position and the Statement of Activities report the net position of the Authority and changes in them. Over time, increases or decreases in the Authority's net position are one indicator of financial position. However, you will need to consider other non-financial factors such as changes in economic conditions, regulations, and new or changed government legislation.

Lake County Water Authority Net Position

	2020	2019
Current and other assets	\$ 14,539,278	\$ 12,812,580
Capital assets, net	22,939,189	23,364,112
Total assets	<u>37,478,467</u>	<u>36,176,692</u>
Deferred outflow	<u>978,290</u>	<u>1,004,197</u>
Current liabilities	497,809	690,149
Long-term liabilities	2,719,947	2,550,114
Total liabilities	<u>3,217,756</u>	<u>3,240,263</u>
Deferred inflows	<u>85,926</u>	<u>129,158</u>
Invested in capital assets	22,939,189	23,364,112
Unrestricted	12,213,886	10,447,358
Total net position	<u><u>\$ 35,153,075</u></u>	<u><u>\$ 33,811,470</u></u>

Assets of the Authority consist primarily of cash of \$ 14,497,754 and capital assets, net of accumulated depreciation of \$ 22,939,189.

Current liabilities of \$ 497,809 consist primarily of accounts payable and accrued liabilities.

Net position amounted to \$ 35,153,075 in fiscal year 2020. The major component of this category is the category "Invested in capital assets", which is the Authority's investment in its net capital assets (original cost less accumulated depreciation), totaling \$ 22,939,189.

While the statement of net position shows the change in financial position of net position, the statement of activities provides answers as to the nature and source of these changes.

Lake County Water Authority Statement of Activities

	2020	2019
Revenues	\$ 8,139,496	\$ 11,755,435
Expenses:		
Current	6,329,533	6,407,550
Depreciation	468,358	494,823
Total expenses	6,797,891	6,902,373
Change in net position	1,341,605	4,853,062
Beginning net position	33,811,470	29,498,408
Restatement net position	-	(540,000)
Ending net position	\$ 35,153,075	\$ 33,811,470

Revenues consist primarily of ad valorem taxes, which were \$ 7,779,365 in 2020. Revenues also include reimbursements for Hurricane Irma from the Federal Emergency Management Agency (FEMA) of \$ 57,139. Other revenues include interest of \$ 137,854, charges for services of \$ 27, and miscellaneous revenue of \$ 165,111 which included settlements for state antitrust litigation.

Current expenses consist of general operating expenses of \$ 3,948,475 and grants of \$ 776,763 for water quality, waterway improvement and education. Grants include \$ 250,000 to support the City of Clermont construct a new boat ramp at the Bell Ceramics site, and \$ 225,000 for the City of Groveland's Parkwood Street Drainage Improvement Project. Expenses also include \$ 1,604,295 in personal services, which include salaries, wages and related taxes, and fringe benefits paid to Authority personnel during fiscal year 2020.

Analysis of Lake County Water Authority General Fund

The Authority has one fund, the general fund, which is reported in the Fund Financial Statements. The focus of the general fund is to provide information on near-term inflows and outflows of cash and the balance available. The fund balance was \$ 14,086,894 at September 30, 2020 compared to \$ 12,196,352 at the end of the prior year. Fund balance at September 30, 2020 included \$ 1,200,000 that is restricted for nutrient reduction facility closure and \$ 3,507,807 that is assigned for nutrient reduction facility costs, design and water quality projects. The remaining fund balance of \$ 9,379,087 is classified as unassigned.

The following is a comparison of operations from 2020 to 2019 at the fund level:

	<u>Year Ended Sept. 20, 2020</u>	<u>Year Ended Sept. 30, 2019</u>	<u>Variance Increase (Decrease)</u>
Revenues:			
Taxes	\$ 7,779,365	\$ 9,882,242	\$ (2,102,877)
Intergovernmental revenue	57,139	1,097,094	(1,039,955)
Charges for service	27	19,805	(19,778)
Investment and miscellaneous income	307,374	295,696	11,678
Total revenues	<u>8,143,905</u>	<u>11,294,837</u>	<u>(3,150,932)</u>
Expenditures:			
Personal services	1,471,696	1,340,048	131,648
Operating and grants	4,725,238	4,852,193	(126,955)
Capital outlay	56,429	1,995,867	(1,939,438)
Total expenditures	<u>6,253,363</u>	<u>8,188,108</u>	<u>(1,934,745)</u>
Excess of revenues over (under) expenditures	1,890,542	3,106,729	(1,216,187)
Fund balance beginning of year	12,196,352	9,089,623	3,106,729
Fund balance end of year	<u>\$ 14,086,894</u>	<u>\$ 12,196,352</u>	<u>\$ 1,890,542</u>

Taxes decreased in 2020 primarily due to a decrease in the millage rate from .4900 to .3557. Intergovernmental revenue decreased largely due to FEMA reimbursements received in the previous year. Charges for service were lower due to COVID-19 restrictions forcing rentals of the Hickory Point Pavilion to be canceled. Capital outlay was lower due to fewer purchases in the current year.

General Fund Budgetary Highlights

Expenditures – Physical environment expenditures were below final budget by approximately \$ 8.5 million. Operating expenses were below budget by approximately \$ 5.8 million due to Lake Yale Alum Application being delayed, lower than expected aluminum sulfate usage, and delay in site improvements for the nutrient reduction facility.

Capital Assets and Long-Term Debt

Capital Assets - As of September 30, 2020, the Authority had \$ 22,939,189 of net capital assets invested primarily in land and improvements, as reflected in the table below.

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 19,052,702	\$ 19,047,347
Structures	6,806,155	6,806,155
Equipment	3,488,385	3,494,053
Infrastructure	1,664,283	1,664,283
Construction work in progress	74,900	83,485
Total capital assets	<u>31,086,425</u>	<u>31,095,323</u>
Accumulated depreciation	(8,147,236)	(7,731,211)
Net capital assets	<u>\$ 22,939,189</u>	<u>\$ 23,364,112</u>

Capital assets consist of land and land improvements, a nutrient reduction facility, water control structures, buildings, vehicles and equipment used by the organization in its daily operations.

The Authority purchased approximately \$ 51,000 of equipment and vehicles. These included a mower, brush cutter, security camera system, nutrient facility grinder-chewers and a copier\printer.

Long-Term Debt - The Authority's full-time employees accumulate annual leave based upon length of employment, and subject to certain carryover limitations. Upon termination of employment, employees can receive a cash benefit for annual leave. Sick leave accumulates at one day per month. Upon termination, an employee is paid for 25 - 50% of accrued sick leave up to 960 hours. The cost of accumulated annual and sick leave, including fringe benefits is accrued only to the extent that the leave will result in cash payments at termination. At September 30, 2020, the Authority had \$ 127,843 in accrued compensated absences, of which \$ 41,367 is considered to be due in the next fiscal year.

Long-Term Debt also includes the net pension liability of \$ 1,354,631 for the Authority's participation in the Florida Retirement System, a cost-sharing multiple employer retirement plan and \$ 82,898 for other post-employment benefits related to retiree health coverage, of which \$ 4,058, is considered to be due in the next fiscal year. The Authority also has a long-term liability of \$ 1,200,000 for an asset retirement obligation related to the nutrient reduction facility.

For more detailed information regarding the Authority's capital assets and long-term debt, please refer to the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

1. The average unemployment rate for Lake County area is 7.4%. This is compared to the 7.2% for the state and 7.8% for the nation.
2. At September 30, 2020 inflation nationally, as indicated by the consumer price index, was 1.4 %.

All of these factors were considered in preparing the Authority budget for the 2020-2021 year. The Authority Board adopted the 2021 budget at its September 23, 2020 meeting. The 2021 budget of \$ 23,075,082 includes a millage rate of 0.3368 which is equal to the rolled-back rate.

Requests for Information - This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Office of the Clerk of the Circuit Court and Comptroller, 315 West Main Street, Post Office Box 7800, Tavares, Florida, 32778, (352) 343-9808.

**LAKE COUNTY WATER AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Primary Government
	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 13,297,754
Due from other governmental units	41,524
Total Current Assets	13,339,278
Noncurrent Assets:	
Restricted cash and cash equivalents	1,200,000
Capital assets	
Land and other nondepreciable assets	16,520,315
Depreciable capital assets, net of accumulated depreciation	6,418,874
Total Noncurrent Assets	24,139,189
TOTAL ASSETS	37,478,467
DEFERRED OUTFLOWS OF RESOURCES	978,290
LIABILITIES	
Current Liabilities:	
Accounts payable and other current liabilities	382,940
Accrued expenses	58,218
Deposits	11,226
Current portion of long-term obligations	45,425
Total Current Liabilities	497,809
Noncurrent Liabilities:	
Compensated absences	86,476
Other post-employment benefits	78,840
Net pension liability	1,354,631
Asset retirement obligation	1,200,000
Total Noncurrent Liabilities	2,719,947
TOTAL LIABILITIES	3,217,756
DEFERRED INFLOWS OF RESOURCES	85,926
NET POSITION	
Net investment in capital assets	22,939,189
Unrestricted	12,213,886
TOTAL NET POSITION	\$ 35,153,075

The notes to the financial statements are an integral part of this statement.

**LAKE COUNTY WATER AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<u>Functions/Programs</u>	Program Revenues				<u>Primary Government Governmental Activities</u>
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 1,462,351	\$ -	\$ 57,139	\$ -	\$ (1,405,212)
Physical environment	5,087,987	-	-	-	(5,087,987)
Culture and recreation	197,789	27	-	-	(197,762)
Education	49,764	-	-	-	(49,764)
Total governmental activities:	6,797,891	27	57,139	-	(6,740,725)
Total primary government	\$ 6,797,891	\$ 27	\$ 57,139	\$ -	(6,740,725)
General revenues:					
					\$ 7,779,365
					137,854
					165,111
					8,082,330
					1,341,605
Net position - beginning					33,811,470
Net position - ending					\$ 35,153,075

The notes to the financial statements are an integral part of this statement.

**LAKE COUNTY WATER AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2020**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 13,297,754
Restricted cash and cash equivalents	1,200,000
Due from other governmental units	41,524
TOTAL ASSETS	<u>\$ 14,539,278</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 382,940
Accrued expenses	58,218
Deposits	11,226
TOTAL LIABILITIES	<u>452,384</u>
Fund balances:	
Restricted	1,200,000
Assigned	3,507,807
Unassigned	9,379,087
TOTAL FUND BALANCES	<u>14,086,894</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 14,539,278</u></u>

The notes to the financial statements are an integral part of this statement.

**LAKE COUNTY WATER AUTHORITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 14,086,894
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the amount of capital assets of \$31,086,425, net of accumulated depreciation of \$8,147,236.	22,939,189
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(127,843)
Other post-employment benefits and related deferred outflows and inflows are not due and payable in the current period and therefore are not reported in the funds.	(92,059)
Net pension liability and related deferred outflows and inflows are not due and payable in the current period and therefore are not reported in the funds.	(993,106)
Asset retirement obligations and related deferred outflows are not due and payable in the current period and therefore are not reported in the funds.	<u>(660,000)</u>
Net position of governmental activities	<u><u>\$ 35,153,075</u></u>

The notes to the financial statements are an integral part of this statement.

LAKE COUNTY WATER AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
SEPTEMBER 30, 2020

	General Fund
Revenues:	
Taxes	\$ 7,779,365
Intergovernmental	57,139
Charges for services	27
Miscellaneous:	
Interest	137,854
Other	169,520
Total Revenues	8,143,905
Expenditures:	
Current:	
General Government	1,414,256
Physical Environment	4,599,419
Culture and Recreation	133,495
Education	49,764
Capital Outlay	56,429
Total Expenditures	6,253,363
Excess of Revenues Over (Under) Expenditures/Net Change in Fund Balances	1,890,542
Fund Balance at Beginning of Year	12,196,352
Fund Balance at End of Year	\$ 14,086,894

The notes to the financial statements are an integral part of this statement.

**LAKE COUNTY WATER AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,890,542
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$56,429 was less than depreciation of \$468,358.	(411,929)
The net effect of miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to decrease net position.	(12,994)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds including the increase in net pension liability and related deferred outflows and inflows of \$153,542, increase in other post-employment benefits and related deferred outflows and inflows of \$2,954, the decrease in compensated absence liability of \$92,482 and decrease in asset retirement obligation deferred outflows of \$60,000.	(124,014)
Changes in net position of governmental activities	\$ 1,341,605

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

1. Significant Accounting Policies:

- A. Reporting Entity - The Lake County Water Authority (f/k/a Oklawaha Basin Recreation and Water Conservation and Control Authority) was created by Chapter 29222, Laws of Florida, Special Acts of 1953, as amended, and was codified pursuant to Section 189.429, Florida Statutes, in Chapter 2005-314 Laws of Florida, as amended by Chapter 2017-218. The Authority is comprised of a seven member elected Board with statutory authority to assess no more than .5 mills in ad valorem taxes.

The Authority is a special taxing district extending territorially throughout the present limits of Lake County, Florida. Its mission is “controlling and conserving the freshwater resources of Lake County; fostering and improving the tourist business in the county by improvements to the streams, lakes, and canals in the county; providing recreational facilities for the tourists and citizens and taxpayers of the county by a more efficient use of the streams, lakes, and canals in the county; improving the fish and aquatic wildlife of the county by improving the streams, lakes, and canals in the county and protecting the freshwater resources of Lake County through assisting local governments in treatment of stormwater runoff”. The principal powers are those of a corporate body, including the power to tax real and personal property, issue revenue bonds and to do other things necessary to accomplish this purpose as set forth in the Statutes, as amended.

- B. Measurement focus, basis of accounting, and financial statement presentation - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or grants that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for the governmental fund.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as received as they are levied and received in the same fiscal year. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All grants of the Authority were classified as operating for the statement of activities.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

current period. For this purpose, the Authority generally considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

The Authority reports the general fund as its only major governmental fund. The general fund is the Authority's primary operating fund. This fund accounts for all financial resources of the general government.

C. Budget and Budgetary Accounting - The Authority follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) The assessment date is January 1.
- 2) On approximately July 1, the county property appraiser certifies the tax roll.
- 3) The Board shall by resolution determine the total amount to be raised by taxation in such year upon the taxable property within the Authority and shall determine the millage rate required, not to exceed .5 mills. The director submits a proposed operating budget to the Authority's Board for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 4) A series of two public hearings are held between 65 and 100 days following the certification of the tax roll.
- 5) Prior to October 1, the budget is legally enacted through adoption by the Board. All revisions of the budget require approval by the Board.
- 6) The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgetary comparisons presented in this report are on this budgetary basis.

The legal level of budgetary control is the major object level. The original budget is adopted before final audited beginning fund balance is available, resulting in differences between the beginning fund balance for the original and the final budget presentation in the governmental fund.

D. Assets, Liabilities, and Fund Equity

- 1) Deposits - State statute allows public deposits only at qualified public depositories that have deposited required collateral in the name of the Treasurer of the State of Florida under the Florida Security for Deposits Act. All deposits are entirely insured by the Federal Deposit Insurance Corporation or Florida's Multiple Financial Institution Collateral Pool.
- 2) *Investments* – Pursuant to Florida Statutes, the Authority is authorized to invest in:
The Local Government Surplus Funds Trust Fund, (commonly referred to as the SBA) administered by the Florida State Board of Administration or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s. 163.01.

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.

Direct obligations of the U.S. Treasury.

- 3) *Capital Assets* - Capital assets, which include land and improvements, structures, equipment, and infrastructure are reported in the applicable government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$ 1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, structures and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

Land improvements	20 years
Structures	20-40 years
Vehicles/computer equipment	5 years
Office equipment	10 years
Heavy equipment	10-20 years
Infrastructure	20 years

- 4) *Fund Balance and Net Position* –

Restrictions of fund balance represent amounts that are imposed by an external party to be held by the Authority. These restrictions can only be lifted with the consent of the external party.

Assignments of fund balance represent the Authority board’s intent to complete projects in the future with expenditures of funds under signed agreements or tentative management plans. These designations are not restricted by outside third parties.

Unassigned fund balance represents funds that are remaining after restrictions and assignments and that are accessible to the Authority for its operations. When determining the classification of fund balance, the Authority considers that restricted funds and assigned funds are used before using unassigned funds.

Net investment in capital assets represents that portion of net position that is associated with capital assets and is, therefore, not available for general operations.

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

E. Revenues and Expenditures -

Taxes - The key dates in the property tax cycle (latest date where appropriate) are as follows:

Assessment date	January 1
Assessment roll validated	July 1
Millage resolution approved	By September 30
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered and due	November 1
Property Taxes Payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

The statutory maximum tax rate which may be assessed by the Authority for ad valorem millage is .5 mills.

F. Employee Benefits -

- 1) Retired or terminated employees have the option of continued participation in group insurance at the employees' expense.
- 2) Vested or accumulated vacation and sick leave are accrued in the government-wide financial statements.

Sick leave accumulates at one day per month. Upon termination of employment, regardless of reason, a non-probationary, non-contractual employee is entitled to be paid up to 25-50% of any accrued sick leave based on their years of service. However, no more than 960 hours will be paid for this purpose.

Employees earn annual leave according to length of service and also certain incentives are provided based on the use of sick days. Certain carryover limitations of annual leave exist based upon service years. Upon termination of employment, non-probationary employees are entitled to compensation for any earned but unused annual leave to their credit on the effective date of termination.

G. Use of Estimates –

The management of the Authority has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Examples of major areas where estimates are used include the estimate of useful lives of capital assets, the liability for compensated absences, pension and other post-employment benefits, and the asset retirement obligation.

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

2. Cash and Cash Equivalents:

At September 30, 2020 the Authority had cash and cash equivalents of \$ 50 in petty cash, \$ 1,658,683 in checking and money market accounts (of which \$ 350,000 is considered restricted), and \$ 11,989,021 in savings accounts. The Authority also had \$ 850,000 invested in a savings account as part of its restricted cash.

3. Capital Assets:

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balances - Oct. 1, 2019	Increases	Decreases	Balances - Sept. 30, 2020
Land	\$ 16,445,415	\$ -	\$ -	\$ 16,445,415
Construction work in progress	83,485	-	(8,585)	74,900
Total assets not being depreciated	16,528,900	-	(8,585)	16,520,315
Land Improvements	2,601,932	5,355	-	2,607,287
Structures	6,806,155	-	-	6,806,155
Equipment and vehicles	1,134,676	51,074	(56,742)	1,129,008
Heavy equipment	2,359,377	-	-	2,359,377
Infrastructure	1,664,283	-	-	1,664,283
Total assets being depreciated	14,566,423	56,429	(56,742)	14,566,110
Less accumulated depreciation for:				
Land improvements	(1,661,033)	(64,070)	-	(1,725,103)
Structures	(3,022,358)	(156,341)	-	(3,178,699)
Equipment and vehicles	(829,027)	(72,467)	52,333	(849,161)
Heavy equipment	(1,660,974)	(71,191)	-	(1,732,165)
Infrastructure	(557,819)	(104,289)	-	(662,108)
Total accumulated depreciation	(7,731,211)	(468,358)	52,333	(8,147,236)
Governmental activities, capital assets, net	\$ 23,364,112	\$ (411,929)	\$ (12,994)	\$ 22,939,189

Depreciation expense was \$ 468,358. Of this amount, \$ 45,201 was general government; \$ 358,863 was physical environment; and \$ 64,294 was culture and recreation.

The Authority is no longer pursuing the completion of a construction project for the Crooked River Dock Design. Expenses incurred to date amounted to \$ 8,585 and were deleted directly from construction work in progress.

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

4. Long-Term Debt:

A summary of changes in long-term debt follows:

	Balances - Oct. 1, 2019	Increases	Decreases	Balances - Sept. 30, 2020
Accrued compensated absences	\$ 220,325	\$ 87,110	\$ (179,592)	\$ 127,843
Net pension liability	1,121,764	330,578	(97,711)	1,354,631
Other post-employment benefits	81,946	6,570	(5,618)	82,898
Asset retirement obligation	1,200,000	-	-	1,200,000
Total	\$ 2,624,035	\$ 424,258	\$ (282,921)	\$ 2,765,372

The current portion of accrued compensated absences is \$ 41,367, and other post-employment benefits is \$ 4,058 for a total of \$ 45,425.

5. Operating Leases:

The Authority has entered into several leases. Most of the leases are with individuals who, under the terms of their lease, live on the Authority's land in dwellings owned by the Authority, if available, or mobile homes provided by the lessee, for no rent. In return, the lessee is to provide site security. In addition, the Authority has entered into two ten year leases whereby one of the lessees makes annual lease payments of \$ 5,000, respectively to the Authority in exchange for use of the property. The land so leased is included in the land disclosed in Note 3.

The Authority has entered into an operating lease for property for the Apopka/Beauclair nutrient reduction facility. The lease has an initial term of five years with renewals until completion of the project. There were no lease payments for the year ended September 30, 2020. See Note 9 for asset retirement obligation related to this lease.

6. Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and job-related illnesses or injuries to employees. Significant losses for liability and workers compensation are covered through participation in a local government non-assessable self-insurance pool. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The Authority is self-insured for property damage with the exception of the nutrient reduction facility and office building.

The Authority's employee health care coverage is provided through insurance obtained through the Lake County Board of County Commissioners, which has a self-insured plan.

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

7. Florida Retirement System Pension Plan:

Plan Description: The Authority 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 System 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 authority 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 of 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 five to eight highest years of earnings. Benefits also include a 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 System employer for up to sixty months. DROP benefits earn 1.3% interest compounded monthly. The employer continues to contribute to the System 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 Authority is required to contribute at an actuarially determined rate. The rate for regular members, senior management, and DROP participants from October 1, 2019 to June 30, 2020 was 8.47%, 25.41%, and 14.60% respectively, and from July 1, 2020 to September 30, 2020 was 10.00%, 27.29% and 16.98% respectively, of annual covered payroll, which includes the HIS Plan rate of 1.66%. The contribution requirements of the Authority are established and may be amended by the Florida Legislature. The Authority’s contributions to the System for the years ending September 30, 2020, 2019 and 2018 were \$ 102,429, \$ 91,804,

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

and \$ 86,010 respectively, equal to the required contributions for each year. Employees were required to begin contributing 3% to the retirement system effective July 1, 2011; employees were not required to contribute prior to that date. Employee contributions for the years ending September 30, 2020, 2019 and 2018 were \$ 25,440, \$ 25,625, and \$ 25,070 respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension – At September 30, 2020, the Authority reported a liability of \$ 1,008,084 and \$ 346,547 for its proportionate share of the Pension Plan and HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Authority’s proportionate share of the net pension liability was based on the Authority’s 2019-20 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At June 30, 2020, the Authority’s proportionate share for the Pension Plan was .002325911%, which was an increase of .000051003% from its proportionate share measured as of June 30, 2019. At June 30, 2020, the proportionate share for the HIS Plan was .002838259%, which was a decrease of .000185421% from its proportionate share measured as of June 30, 2019.

For the year ended September 30, 2020, the Authority recognized pension expense of \$ 216,726 for the Pension Plan and \$ 34,527 for the HIS Plan.

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	\$ 38,581	\$ -
Change of assumptions	182,495	-
Net Difference between projected and actual earnings on Pension Plan investments	60,022	-
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	36,927	27,168
Authority Pension Plan contributions subsequent to the measurement date	20,771	-
Total	<u>\$ 338,796</u>	<u>\$ 27,168</u>

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

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	\$ 14,176	\$ 267
Change of assumptions	37,264	20,150
Net Difference between projected and actual earnings on HIS Plan investments	277	-
Changes in proportion and differences between Authority HIS Plan contributions and proportionate share of contributions	32,243	17,244
Authority HIS Plan contributions subsequent to the measurement date	3,598	-
Total	<u>\$ 87,558</u>	<u>\$ 37,661</u>

The deferred outflows of resources related to the Pension Plan and HIS Plan, totaling \$ 20,771 and \$ 3,598, resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the new pension liability in the fiscal year ended September 30, 2020. 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 follow:

<u>Fiscal Year Ending Sept. 30:</u>	<u>Pension Plan Amount</u>	<u>HIS Plan Amount</u>
2021	\$ 49,133	\$ 10,379
2022	46,577	10,509
2023	51,749	7,674
2024	56,293	6,405
2025	53,382	4,631
Therafter	33,723	6,701
Total	<u>\$ 290,857</u>	<u>\$ 46,299</u>

Pension Plan Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25% average, including inflation
Investment Rate of turn	6.80%, net of pension plan investment expense
Mortality	PUB – 2010 base table, projected generationally with Scale MP-2018

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

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

Asset Class	Target Allocation	Annual Arithmetic Return
Cash	1.0 %	2.2 %
Fixed Income	19.0	3.0
Global Equity	54.2	8.0
Strategic Investments	4.4	5.5
Private Equity	11.1	10.8
Real Estate (Property)	10.3	6.4
Total	100%	

Pension Plan Discount Rate - The discount rate used to measure the total pension liability was 6.8%. 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, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25% average, including inflation
Municipal Bond rate	2.21%
Mortality	PUB – 2010 base table, projected generationally with Scale MP-2018

HIS Plan Discount Rate – The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. 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.

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

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

	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)								
Pension Plan proportionate share of the net pension liability	\$ 1,609,741	\$ 1,008,084	\$ 505,578								
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 45%;"></th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">1% Decrease (1.21%)</th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">Current Discount Rate (2.21%)</th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">1% Increase (3.21%)</th> </tr> </thead> <tbody> <tr> <td style="padding-top: 10px;">HIS Plan proportionate share of the net pension liability</td> <td style="text-align: right; vertical-align: bottom;">\$ 400,593</td> <td style="text-align: right; vertical-align: bottom;">\$ 346,547</td> <td style="text-align: right; vertical-align: bottom;">\$ 302,310</td> </tr> </tbody> </table>					1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)	HIS Plan proportionate share of the net pension liability	\$ 400,593	\$ 346,547	\$ 302,310
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)								
HIS Plan proportionate share of the net pension liability	\$ 400,593	\$ 346,547	\$ 302,310								

The Florida Retirement System 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, 2020.

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

Department of Management Services
Division of Retirement
Bureau of Research and Education Section
P.O. Box 9000, Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

8. Other Post-Employment Benefits (OPEB)

Plan Description

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The Authority is required by Florida Statutes to offer retirees and their eligible dependents the same health and medical coverage that is offered to active employees, at the same cost. Authority employees are eligible to receive coverage upon retirement under Florida Retirement System plan provisions, as discussed in Note 7. The plan is a single-employer defined benefit plan and does not issue a separate, audited GAAP-basis report.

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

Benefits Provided

Participants in the plan receive healthcare benefits of that program for themselves and their dependents.

Contributions

Contribution requirements of plan members are established and may be amended by the Authority. The Authority's employer OPEB contribution consists of an implicit rate subsidy only. To determine healthcare plan costs, the Authority is required to comingle the claims experience of retirees with that of active employees. However, retirees and active employees pay the same premium, this creating an implicit rate subsidy.

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms as of October 1, 2019, the latest actuarial valuation date:

Retirees and beneficiaries currently receiving benefits	-	
Active employees	15	
Total	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; padding: 0 10px;">15</td> </tr> </table>	15
15		

Total OPEB Liability

The Authority's total OPEB liability of \$ 82,898 at September 30, 2020 was measured as of October 1, 2019. The measurement period was October 1, 2018 to September 30, 2019.

Actuarial Assumptions

The total OPEB liability at September 30, 2020 was based on the actuarial valuation dated October 1, 2019 using the following actuarial assumptions:

Inflation	2.6% per
Salary Increase	3.25% (including inflation)
Discount Rate	3.58 – 4.15% 20-Year Municipal Bond Indices
Healthcare Cost Trend Rates	7.5% - 4.5% (including inflation)

Mortality rates were based on the SOA Pub-2010 Morality Table fully generational using Scale MP-2018.

The discount rate used to measure the total OPEB liability at September 30, 2020 was 3.58%. The discount rate used to measure the total OPEB liability at September 30, 2019 was 4.15%. Because the Authority's OPEB costs are essentially funded on a pay-as-you-go funding structure, a municipal bond rate was used to determine the total pension liability for the Program. The Bond Buyer General Obligation 20-Bond Municipal Bond Index and S&P Municipal Bond 20-Year High Grade Rate Index were adopted for this purpose.

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

An experience study was not done, as it was not considered necessary to support the actuarial results.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at September 30, 2019	\$ 81,946
Changes for the Year:	-
Service cost	5,489
Interest	3,513
Changes in Benefit Terms	-
Changes in assumptions	3,445
Differences between expected and actual experience	(5,877)
Benefit payments	(5,618)
Net Changes	952
Balances at September 30, 2020	\$ 82,898

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability, calculated using the discount rate of 3.58%, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (2.58%) or one percentage-point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$ 89,110	\$ 82,898	\$ 76,912

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

The following table presents the total OPEB liability of the Authority at the current rate range of 7.5% - 4.5%, as well as what the Authority's total OPEB liability would be if it were calculated using a healthcare cost trend rate range that is one percentage-point lower (6.5% - 3.5%) or one percentage-point higher (8.5% - 5.5%) than the current discount rate:

	1% Decrease (6.5% - 3.5%)	Current Discount Rate (7.5% - 4.5%)	1% Increase (8.5% - 5.5%)
Total OPEB liability	\$ 72,053	\$ 82,898	\$ 95,969

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020 the Authority recognized an OPEB expense of \$ 2,954. At September 30, 2020 the Authority has deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,022	\$ 14,895
Change of assumptions	5,856	6,202
Authority contributions subsequent to the measurement date	4,058	-
Total	<u>\$ 11,936</u>	<u>\$ 21,097</u>

Deferred outflows and inflows of resources shown above will be recognized in OPEB expense in the following years:

Fiscal Year Ending Sept. 30	
2021	\$ (1,990)
2022	(1,990)
2023	(1,990)
2024	(1,990)
2025	(1,990)
Thereafter	(3,269)
Total	<u>\$ (13,219)</u>

9. Asset Retirement Obligation

The Authority reports amounts in accordance with Government Accounting Standard Board Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a capital asset.

The lease for Apopka/Beauclair nutrient reduction facility includes a provision to return the property to certain condition at the end of the lease and for contingent closure expenses; the total cost estimated in the lease agreement is \$ 1,200,000. The facility was operational in 2009 and is being depreciated over a 20-year life; the deferred outflow is also being recognized over that period. The Authority has also restricted cash of \$ 1,200,000 for this purpose.

**LAKE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

At September 30, 2020, the Authority recognized an asset retirement obligation of \$ 1,200,000, a deferred outflow of \$ 540,000 and amortization of the deferred outflow of \$ 60,000.

10. Other Matters

The Authority is allowed to expend up to 3.5 percent of its ad valorem revenues providing educational information or guidance to the public about all aspects of our water resources. The allowable amount was \$ 272,278. Actual expended was \$ 49,764.

**LAKE COUNTY WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,661,129	\$ 7,661,129	\$ 7,779,365	\$ 118,236
Intergovernmental	8,367	8,367	57,139	48,772
Charges for services	16,000	16,000	27	(15,973)
Miscellaneous:				
Interest	26,000	26,000	137,854	111,854
Other	5,000	5,000	169,520	164,520
Total Revenues	7,716,496	7,716,496	8,143,905	427,409
Expenditures:				
Current:				
General Government - Financial and Administrative				
Personal services	682,040	692,040	692,463	(423)
Operating expenses	520,050	520,050	454,261	65,789
Capital outlay	18,500	18,500	13,252	5,248
Grants and aid	268,056	268,056	267,532	524
Total General Government	1,488,646	1,498,646	1,427,508	71,138
Physical Environment - Conservation and Resource Management				
Personal services	1,001,043	1,001,043	779,233	221,810
Operating expenses	9,245,281	9,081,576	3,322,136	5,759,440
Capital outlay	1,591,371	1,662,076	37,822	1,624,254
Grants and aids	1,424,497	1,424,497	498,050	926,447
Total Physical Environment	13,262,192	13,169,192	4,637,241	8,531,951
Culture and Recreation - Parks and Recreation				
Operating expenses	97,350	140,900	133,495	7,405
Capital outlay	0	39,450	5,355	34,095
Total Culture and Recreation	97,350	180,350	138,850	41,500
Education:				
Operating expenses	52,971	52,971	38,583	14,388
Grants and aids	21,000	21,000	11,181	9,819
Total Education	73,971	73,971	49,764	24,207
Total Expenditures	14,922,159	14,922,159	6,253,363	8,668,796
Excess of Revenues Over (Under) Expenditures	(7,205,663)	(7,205,663)	1,890,542	9,096,205
Other Financing Sources (Uses)				
Reserve for Contingencies	(3,790,000)	(3,790,000)	-	3,790,000
Total Other Financing Sources (Uses)	(3,790,000)	(3,790,000)	-	3,790,000
Net Change in Fund Balances	(10,995,663)	(10,995,663)	1,890,542	12,886,205
Fund Balance - Beginning of Year	10,995,663	10,995,663	12,196,352	1,200,689
Fund Balance - Ending of Year	\$ -	\$ -	\$ 14,086,894	\$ 14,086,894

**LAKE COUNTY WATER AUTHORITY
SCHEDULE OF CONTRIBUTIONS**

Florida Retirement System (FRS) Defined Benefit Pension Plan

Fiscal Year Ending 30-Sep	FRS Contractually Required Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	Authority's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2020	\$ 81,536	\$ 81,536	\$ -	\$ 863,416	9.44%
2019	\$ 70,566	\$ 70,566	\$ -	\$ 876,654	8.05%
2018	\$ 64,674	\$ 64,674	\$ -	\$ 838,337	7.71%
2017	\$ 52,540	\$ 52,540	\$ -	\$ 721,495	7.28%
2016	\$ 62,878	\$ 62,878	\$ -	\$ 726,639	8.65%
2015	\$ 59,535	\$ 59,535	\$ -	\$ 634,221	9.39%
2014	\$ 51,265	\$ 51,265	\$ -	\$ 624,327	8.21%

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

Fiscal Year Ending 30-Sep	HIS Contractually Required Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency	Authority's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2020	\$ 16,175	\$ 16,175	\$ -	\$ 974,110	1.66%
2019	\$ 16,625	\$ 16,625	\$ -	\$ 1,001,340	1.66%
2018	\$ 16,239	\$ 16,239	\$ -	\$ 978,106	1.66%
2017	\$ 13,757	\$ 13,757	\$ -	\$ 828,579	1.66%
2016	\$ 13,567	\$ 13,567	\$ -	\$ 817,119	1.66%
2015	\$ 9,068	\$ 9,068	\$ -	\$ 719,669	1.26%
2014	\$ 8,170	\$ 8,170	\$ -	\$ 708,580	1.15%

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

LAKE COUNTY WATER AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Florida Retirement System (FRS) Defined Benefit Pension Plan

Authority Fiscal Year Ending Sept 30	Plan Sponsor Measurement Date June 30	Authority's Proportion of FRS Net Pension Liability	Authority's Proportionate Share of FRS Net Pension Liability	Authority's Covered Payroll	Authority's Proportionate Share of FRS Net Pension Liability as a Percentage of Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2020	2020	.002325911	\$ 1,008,084	\$ 877,776	114.85%	78.85%
2019	2019	.002274908	\$ 783,444	\$ 866,057	88.42%	82.61%
2018	2018	.002122027	\$ 639,166	\$ 790,491	80.86%	84.26%
2017	2017	.002139665	\$ 632,899	\$ 755,579	83.76%	83.89%
2016	2016	.002578403	\$ 651,049	\$ 726,639	89.60%	84.88%
2015	2015	.002441872	\$ 315,401	\$ 634,221	49.73%	92.00%
2014	2014	.002340419	\$ 142,800	\$ 624,327	22.87%	96.09%

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

Authority Fiscal Year Ending Sept 30	Plan Sponsor Measurement Date June 30	Authority's Proportion of the HIS Net Pension Liability	Authority's Proportionate Share of the HIS Net Pension Liability	Authority's Covered Payroll	Authority'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
2020	2020	.002838259	\$ 346,547	\$ 985,084	35.18%	3.00%
2019	2019	.003023680	\$ 338,820	\$ 1,011,243	33.46%	2.63%
2018	2018	.002842715	\$ 300,876	\$ 928,575	32.40%	2.15%
2017	2017	.002697326	\$ 288,411	\$ 859,772	33.55%	1.64%
2016	2016	.002646906	\$ 308,486	\$ 817,119	37.75%	0.97%
2015	2015	.002372120	\$ 241,919	\$ 719,669	33.62%	0.50%
2014	2014	.002384907	\$ 222,995	\$ 708,580	31.47%	0.99%

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

LAKE COUNTY WATER AUTHORITY
SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability			
Service Cost	\$ 6,581	\$ (16,497)	\$ 5,489
Interest	\$ 3,285	\$ 3,631	\$ 3,513
Changes in Benefit Terms	\$ -	\$ 541	\$ -
Changes in assumptions	\$ 5,596 (1)	\$ (8,268) (1)	\$ 3,445
Difference between expected and actual experience	\$ 3,981	\$ (13,004)	\$ (5,877)
Benefit Payments	<u>\$ (2,688)</u>	<u>\$ (1,945)</u>	<u>\$ (5,618)</u>
Net Change in total OPEB liability	\$ 16,755	\$ (35,542)	\$ 952
Total OPEB liability, beginning	<u>\$ 100,733</u>	<u>\$ 117,488</u>	<u>\$ 81,946</u>
Total OPEB liability, ending	<u><u>\$ 117,488</u></u>	<u><u>\$ 81,946</u></u>	<u><u>\$ 82,898</u></u>

Total OPEB liability as a percentage of Covered Employee Payroll	11.9%	8.1%	7.4%
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(1) Changes in assumptions primarily reflect the change in the discount rate and the healthcare trend rate.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Note: This information is required for ten years. However only three years of information is available as the Authority implemented GASB Statement No. 75 for the fiscal year ended September 30, 2018.



**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 Governing Board
Lake County Water Authority
Tavares, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lake County Water Authority (the “Authority”) as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated March 16, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’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 Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’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 over financial reporting 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 Governing Board
Lake County Water Authority
Tavares, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

Pursuant to provisions of Chapter 10.550, *Rules of the Auditor General*, we reported certain matters to management of the Authority in a separate management letter and Independent Accountant's Report dated March 16, 2021.

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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 16, 2021



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Governing Board
Lake County Water Authority
Tavares, Florida

We have audited the financial statements of the Lake County Water Authority (the "Authority") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 16, 2021.

Auditor's Responsibility

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 and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountant's Report on an examination conducted in accordance 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 16, 2021, 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

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

To the Governing Board
Lake County Water Authority
Tavares, Florida

Financial Condition and Management (Continued)

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

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

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to 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 note any such findings.

Purpose of this Letter

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

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 16, 2021



INDEPENDENT ACCOUNTANT'S REPORT

To the Governing Board
Lake County Water Authority
Tavares, Florida

We have examined the Lake County Water Authority (the "Authority") compliance with the requirements of Section 218.415, Florida Statute, during the fiscal year ended September 30, 2020. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority'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 Authority is in accordance with those requirements, in all material respect. An examination involves performing procedures to obtain evidence about the Authority'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 Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2020.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 16, 2021