

Financial Statements

September 30, 2023

Homosassa Special Water District

Introductory Section

	<u>Page</u>
I. Introductory Section:	
Table of Contents	i
II. Financial Section:	
Independent Auditor's Report	1
Management Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Balance Sheet - Governmental Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	10
General Fund Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual	11
Statement of Net Position - Proprietary Fund	12
Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Fund	14
Statement of Cash Flows - Proprietary Fund	15
Notes to Financial Statements	16
Required Supplementary Information	33
III. Internal Control and Compliance Section:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards	36
Management Comments and Required Communications	38
Independent Accountant's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	40
Response to Management Comments	41

Financial Section

This section contains the following subsections:

- . Independent Auditor's Report
- . Management's Discussion and Analysis
- . Basic Financial Statements
- . Required Supplementary Information

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Homosassa Special Water District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the *Homosassa Special Water District*, (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of September 30, 2023, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with the GAAS and governmental auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other post-employment and pension disclosures on pages 3-6 and 33-35, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement 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 inquires 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 statement, 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 a report dated May 9, 2024 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

McDiarmid Davis

Orlando, Florida
May 9, 2024

As management of the Homosassa Special Water District we offer readers of the Homosassa Special Water District's financial statements this narrative overview and analysis of the financial activities of the Homosassa Special Water District (the District) for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the District's financial statements (beginning on page 7).

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$7,707,563 (net position). Of this amount, \$2,055,073 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$879,604.
- As of the close of the current fiscal year, the Homosassa Special Water District's governmental funds reported combined ending fund balances of \$1,421,030, an increase of \$282,601 in comparison with the prior year. Unassigned fund balance for the General Fund was \$1,421,030 or 8.3 times the amount of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Homosassa Special Water District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to a private-sector business. They include a *Statement of Net Position* and a *Statement of Activities*.

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 District is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of 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 fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

The fund financial statements begin on page 9 and provide detailed information about the funds. Some funds are required to be established by State law. However, the Board of Commissioners established another fund to help control and manage money for particular purposes. The District has a governmental fund and a proprietary fund.

Governmental Fund

The District's services are reported in the governmental fund, which focus on how money flows into and out of the fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Fund

Operations that are financed and operated similar to private businesses are reported in the proprietary fund. This fund is reported using the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to financial statements can be found on pages 16 - 32 of this report.

Homosassa Special Water District
Management's Discussion and Analysis

Government-Wide Financial Analysis

The District's net position for the year ending 2023 and 2022 were \$7,707,563 and \$6,827,959 respectively, an increase of \$879,604. A large portion of the District's net position (64%) reflects its investment in capital assets, less any debt used to acquire those assets that is still outstanding.

Statement of Net Position as of September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 1,422,860	\$ 1,141,359	\$ 2,513,546	\$ 1,789,434	\$ 3,936,406	\$ 2,930,793
Capital assets	-	-	6,489,879	6,610,610	6,489,879	6,610,610
Total assets	1,422,860	1,141,359	9,003,425	8,400,044	10,426,285	9,541,403
Deferred Outflows of Resources	15,243	19,182	209,657	258,089	224,900	277,271
Liabilities:						
Current liabilities	1,830	2,930	62,497	200,224	64,327	203,154
Noncurrent liabilities	129,444	134,943	2,659,963	2,584,246	2,789,407	2,719,189
Total liabilities	131,274	137,873	2,722,460	2,784,470	2,853,734	2,922,343
Deferred Inflows of Resources	6,092	4,731	83,796	63,641	89,888	68,372
Net Position:						
Net investment in capital assets	-	-	4,906,879	5,075,272	4,906,879	5,075,272
Restricted	-	-	745,611	731,563	745,611	731,563
Unrestricted	1,300,737	1,017,937	754,336	3,187	2,055,073	1,021,124
Total net position	\$ 1,300,737	\$ 1,017,937	\$ 6,406,826	\$ 5,810,022	\$ 7,707,563	\$ 6,827,959

Changes in Net Position for the Year Ended September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues-						
Charges for services	\$ -	\$ -	\$ 2,049,776	\$ 1,925,051	\$ 2,049,776	\$ 1,925,051
Intergovernmental	-	-	56,318	504,909	56,318	504,909
General Revenues-						
Ad valorem taxes	806,023	719,079	-	-	806,023	719,079
Investment income and miscellaneous	77,386	13,175	22,327	5,649	99,713	18,824
Total Revenues	883,409	732,254	2,128,421	2,435,609	3,011,830	3,167,863
Expenses:						
General government	171,661	291,209	-	-	171,661	291,209
Water system	-	-	1,960,565	2,030,926	1,960,565	2,030,926
Total Expenses	171,661	291,209	1,960,565	2,030,926	2,132,226	2,322,135
Increase (Decrease) in Net Position Before Transfers	711,748	441,045	167,856	404,683	879,604	845,728
Transfers	(428,948)	(410,988)	428,948	410,988	-	-
Increase (Decrease) in Net Position	282,800	30,057	596,804	815,671	879,604	845,728
Net Position - beginning	1,017,937	987,880	5,810,022	4,994,351	6,827,959	5,982,231
Net Position - ending	\$ 1,300,737	\$ 1,017,937	\$ 6,406,826	\$ 5,810,022	\$ 7,707,563	\$ 6,827,959

Governmental Activities

Governmental activities increased net position \$282,800. Total governmental activities expenses decreased \$119,548 (41%) and transfers out increased by \$17,960.

Business-Type Activities

Charges for services for business-type activities increased 6.48% from 2022 to 2023. Total business-type expenses decreased 4% from 2022 to 2023.

Financial Analysis of the District's Funds

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General fund balance increased \$282,601 from the previous year and is reporting an ending fund balance of \$1,421,030. All of this balance is unassigned.

Proprietary Funds

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The Water System Revenue Fund reported operating income of \$128,068, which is an increase of \$208,626 from the previous year. Of the total net position in the amount of \$6,406,826, \$745,611 is restricted for FDOT projects.

Final Budget versus Actual Results - General Fund

Total revenues for the year ending 2023 came in \$72,386 more than what was budgeted. This is due to investment and miscellaneous income being higher than the budget.

Total expenditures for the year ending 2023 came in \$373,635 less than budgeted, due to budgeting for capital outlay, which was not expended in the General Fund. Transfers out came in \$436,952 under budget due to the transfers of capital outlay from the general fund to the water fund.

Capital Assets

At September 30, 2023, the District's investment in capital assets amounts to \$6,489,879 (net of accumulated depreciation). This amount represents a decrease of \$120,731 from the year ending September 30, 2022. This decrease is due to current year depreciation exceeding asset additions.

Long-Term Debt

At September 30, 2023, the District had a Note payable of \$554,539 outstanding, and one SRF loan of \$1,028,521 outstanding.

Economic Factors

In October 2019 the District began annual water rate increases.

For the 2023-2024 budget cycle, the Board set the millage rate at 1.3307 which is expected to bring in an additional \$90,500 of ad valorem revenues.

Requests for Information

This financial report is designed to provide a general overview of the Homosassa Special Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information should be addressed to the office of the Homosassa Special Water District, P.O. Box 195, Homosassa, Florida 34487.

Basic Financial Statements

Homosassa Special Water District
Statement of Net Position
September 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 1,422,860	\$ 1,311,642	\$ 2,734,502
Receivables (net of allowance)	-	205,155	205,155
Due from other governments	-	1,260	1,260
Prepays	-	745,611	745,611
Inventory-field supplies	-	249,878	249,878
Capital assets not being depreciated:			
Land	-	216,239	216,239
Construction in progress	-	3,912,655	3,912,655
Capital assets being depreciated, net of accumulated depreciation	-	2,360,985	2,360,985
Total assets	1,422,860	9,003,425	10,426,285
Deferred Outflows of Resources:			
Deferred outflows of pension earnings	15,243	209,657	224,900
Liabilities			
Accounts payable	1,830	19,833	21,663
Customer deposits	-	42,664	42,664
Noncurrent Liabilities:			
Due within one year	-	242,344	242,344
Due in more than one year	129,444	2,417,619	2,547,063
Total liabilities	131,274	2,722,460	2,853,734
Deferred Inflows of Resources:			
Deferred inflows of pension earnings	6,092	83,796	89,888
Net Position			
Net investment in capital assets	-	4,906,879	4,906,879
Restricted for FDOT projects	-	745,611	745,611
Unrestricted	1,300,737	754,336	2,055,073
Total net position	\$ 1,300,737	\$ 6,406,826	\$ 7,707,563

Homosassa Special Water District
Statement of Activities
Year Ended September 30, 2023

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Position		Total
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government						
Governmental Activities -						
General government	\$ 171,661	\$ -	\$ -	\$ (171,661)	\$ -	\$ (171,661)
Total governmental activities	<u>171,661</u>	<u>-</u>	<u>-</u>	<u>(171,661)</u>	<u>-</u>	<u>(171,661)</u>
Business-type activities -						
Water	1,960,565	2,049,776	56,318	-	145,529	145,529
Total business-type activities	<u>1,960,565</u>	<u>2,049,776</u>	<u>56,318</u>	<u>-</u>	<u>145,529</u>	<u>145,529</u>
Total primary government	<u>\$ 2,132,226</u>	<u>\$ 2,049,776</u>	<u>\$ 56,318</u>	<u>(171,661)</u>	<u>145,529</u>	<u>(26,132)</u>
General Revenues						
Property taxes				806,023	-	806,023
Investment income and miscellaneous				77,386	22,327	99,713
Transfers				(428,948)	428,948	-
Total general revenues and transfers				<u>454,461</u>	<u>451,275</u>	<u>905,736</u>
Change in net position				<u>282,800</u>	<u>596,804</u>	<u>879,604</u>
Net Position, beginning				<u>1,017,937</u>	<u>5,810,022</u>	<u>6,827,959</u>
Net Position, ending				<u>\$ 1,300,737</u>	<u>\$ 6,406,826</u>	<u>\$ 7,707,563</u>

Homosassa Special Water District
Balance Sheet Governmental Fund
September 30, 2023

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 1,422,860
Total assets	<u>\$ 1,422,860</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 1,830
Total liabilities	<u>1,830</u>
Fund Balance:	
Unassigned	<u>1,421,030</u>
Total fund balance	<u>1,421,030</u>
Amounts reported for governmental activities in the Statement of Net Position are different	
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds; however they are recorded in the statement of net position under full accrual accounting.	9,151
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Other post-employment benefits	(66,626)
Net pension liability	<u>(62,818)</u>
Net position of governmental activities	<u>\$ 1,300,737</u>

Homosassa Special Water District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund
Year Ended September 30, 2023

	<u>General Fund</u>
Revenues	
Property taxes	\$ 806,023
Investment and miscellaneous earnings	<u>77,386</u>
Total revenues	<u>883,409</u>
Expenditures	
Current:	
General government	<u>171,860</u>
Total expenditures	<u>171,860</u>
Excess of Revenues Over Expenditures	<u>711,549</u>
Other Financing Sources(Uses):	
Transfers out	<u>(428,948)</u>
Total other financing sources (uses)	<u>(428,948)</u>
Net Change in Fund Balance	282,601
Fund Balance, beginning of year	<u>1,138,429</u>
Fund Balance, end of year	<u><u>\$ 1,421,030</u></u>
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:	
Net change in fund balances, governmental funds	\$ 282,601
Amounts reported for governmental activities in the Statement of Activities are different because:	
Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities and therefore increased net position.	(9,213)
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 the governmental funds.	<u>9,412</u>
Change in net position of governmental activities	<u><u>\$ 282,800</u></u>

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 793,000	\$ 806,023	\$ 806,023	\$ -
Investment and miscellaneous income	5,000	5,000	77,386	72,386
Total revenues	798,000	811,023	883,409	72,386
Expenditures:				
General Government:				
Tax collection and assessment fee	38,000	38,000	35,974	2,026
Salaries, wages and benefits	78,218	79,495	79,483	12
Audit and accounting fees	24,000	24,000	22,260	1,740
Legal fees	30,000	30,000	19,923	10,077
Engineers	16,000	16,000	8,516	7,484
District election expense	2,500	2,500	-	2,500
Miscellaneous	500	500	-	500
Capital Outlay	355,000	355,000	5,704	349,296
Total general government	544,218	545,495	171,860	373,635
Total expenditures	544,218	545,495	171,860	373,635
Excess of Revenues Over Expenditures	253,782	265,528	711,549	446,021
Other Financing Sources (Uses)				
Transfers out	(270,000)	(865,900)	(428,948)	436,952
Total other financing sources (uses)	(270,000)	(865,900)	(428,948)	436,952
Net Change in Fund Balance	(16,218)	(600,372)	282,601	882,973
Fund Balance, beginning of year	1,138,429	1,138,429	1,138,429	-
Fund Balance, end of year	\$ 1,122,211	\$ 538,057	\$ 1,421,030	\$ 882,973

Homosassa Special Water District
Statement of Net Position- Proprietary Fund
September 30, 2023

	Water System Revenue Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,311,642
Accounts receivable, net	205,155
Due from other governments	1,260
Prepaid expenses	745,611
Inventories	249,878
Total current assets	2,513,546
Noncurrent assets	
Capital Assets:	
Land	216,239
Construction in progress	3,912,655
Buildings	434,504
Water distribution system	6,104,126
Improvements	880,411
Machinery and equipment	1,462,334
Software	33,359
Less accumulated depreciation	(6,553,749)
Total noncurrent assets	6,489,879
Total assets	9,003,425
Deferred Outflows of Resources:	
Deferred Outflows of pension earnings	209,657

Homosassa Special Water District
Statement of Net Position- Proprietary Fund
September 30, 2023

	<u>Water System Revenue Fund</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 19,833
Customer deposits payable	42,664
Notes payable-current	229,070
Compensated absences-current	13,274
	<u>304,841</u>
Total current liabilities	<u>304,841</u>
Noncurrent liabilities:	
OPEB obligation	146,576
Compensated absences	53,096
Notes payable	1,353,990
Net pension liability	863,957
	<u>2,417,619</u>
Total noncurrent liabilities	<u>2,417,619</u>
Total liabilities	<u>2,722,460</u>
Deferred Inflows of Resources:	
Deferred Inflows of pension earnings	83,796
	<u>83,796</u>
Net Position	
Net investment in capital assets	4,906,879
Restricted for FDOT projects	745,611
Unrestricted	754,336
	<u>754,336</u>
Total net position	<u>\$ 6,406,826</u>

Homosassa Special Water District
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
Year Ended September 30, 2023

	Water System Revenue Fund
Operating Revenues	
Charges for services	\$ 2,049,776
Total operating revenues	<u>2,049,776</u>
Operating Expenses	
Personal services	1,010,034
Utilities	67,625
Materials and supplies	207,582
Repairs and maintenance	104,161
Depreciation and amortization	287,560
Insurance	119,614
Other expenses	125,132
Total operating expenses	<u>1,921,708</u>
Operating loss	<u>128,068</u>
Nonoperating Revenue (Expenses)	
Intergovernmental	56,318
Investment income	22,327
Interest expense	(38,857)
Total nonoperating revenue (expenses)	<u>39,788</u>
Income (loss) before transfers	167,856
Transfers In	428,948
Change in net position	596,804
Total Net Position, beginning	<u>5,810,022</u>
Total Net Position, ending	<u>\$ 6,406,826</u>

Homosassa Special Water District
Statement of Cash Flows Proprietary Fund
Year Ended September 30, 2023

	<u>Water System Revenue Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,015,994
Cash paid to employees	(913,452)
Cash paid to suppliers	(807,079)
Net cash provided by operating activities	<u>295,463</u>
Cash Flows from Investing Activities:	
Investment income (loss)	22,327
Net cash provided by investing activities	<u>22,327</u>
Cash Flows from Noncapital Financing Activities:	
Transfer in from general fund	428,948
Net cash provided by noncapital financing activities	<u>428,948</u>
Cash Flows from Capital and Related Financing Activities:	
Capital grants	339,806
Acquisitions and construction of capital assets	(166,829)
Proceeds from notes payable	317,455
Payments on notes payable	(269,733)
Interest paid on notes payable	(38,857)
Net cash used by capital and related financing activities	<u>181,842</u>
Net Decrease in Cash	928,580
Cash and Cash Equivalents, beginning	<u>383,062</u>
Cash and Cash Equivalents, ending	<u>\$ 1,311,642</u>
 Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	128,068
Adjustments Not Affecting Cash:	
Depreciation	287,560
Change in Assets and Liabilities:	
Decrease (increase) in accounts and unbilled revenue receivable	(27,207)
Decrease (increase) in prepaid expenses	(14,048)
Increase (decrease) in accounts payable	(131,152)
Increase (decrease) in OPEB obligation	(51,124)
Decrease (increase) in deferred outflows	48,432
Increase (decrease) in deferred inflows	20,155
Increase (decrease) in net pension liability	71,429
Increase (decrease) in salaries payable	7,690
Decrease (increase) in inventory	(37,765)
Increase (decrease) in customers' deposits	(6,575)
Total adjustments	<u>167,395</u>
Net Cash Provided by Operating Activities	<u>\$ 295,463</u>

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The *Homosassa Special Water District* (the District) was created pursuant to an act (Chapter 59-1177) passed by the Florida House and Senate in June 1959, establishing a public body corporate and political subdivision in Citrus County, Florida.

The Board of Commissioners of Homosassa Special Water District, a five-member group, is the level of government which has governance responsibilities over all activities related to supplying water to customers within the boundaries of the District.

In evaluating how to define the government, for financial reporting purposes, the District has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organizations' governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, there are no potential component units or related organizations of the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for; (1) the governmental fund (general fund), statement of revenue, expenditures and changes in fund balance- Budget and Actual; (2) proprietary fund (water system revenue fund), statements of revenue, expenses and changes in fund net position and cash flows.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Ad valorem taxes attach, as an enforceable lien, on property as of February 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent March 1 of the following year. Ad valorem tax revenues are recognized when they become available. Available includes those ad valorem tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Interest associated with the current fiscal period is considered susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The funds used by the District are as follows:

General Fund

Is the major governmental fund of the District. It accounts for all financial resources, except those required to be accounted for in another fund.

Proprietary Fund - Water System Revenue Fund

A proprietary fund is distinguished from a governmental fund in that proprietary funds report on the determination of net income, financial position, and cash flows. Activities reported in this fund generally include those services that are funded by user fees (or other income sources) that are structured to recover the costs of providing those specific services.

The Water System Revenue Fund is the proprietary fund used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of this fund is that the costs, including depreciation, of supplying water to customers within the District boundaries be financed or recovered primarily through user charges. The Water System Revenue Fund is also used to report all of the transactions and balances of special assessment projects.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contribution, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's water system revenue fund are charges to customers for sales and services. The District also recognizes as operating revenue the meter fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Assets, Liabilities and Net Position or Equity

Cash Equivalents

For purposes of the statement of cash flows, the water system revenue fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, including deposits with the local government surplus trust funds investment pool.

Inventory - Field Supplies

Inventories are stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

Prepays

Included in prepaids are escrow funds held by FDOT for the U.S. Highway 19 project and the Halls River Bridge project.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are shown net of an allowance for uncollectible accounts. The District reserved \$9,365 for uncollectible accounts in the Water System Revenue Fund.

Capital Assets

Capital assets of the Water System Revenue Fund are recorded as expenditures at the time of purchase to satisfy budgetary requirements. At year-end, these assets are capitalized at cost for financial statement presentation. The District has adopted the accounting policy of capitalizing “infrastructure” capital assets (water lines and improvements, wells and similar assets) that are immovable and of value over \$2,500 to the District. Depreciation is calculated under the straight-line method and is charged to operations. The estimated lives of the assets, for determining depreciation charges are as follows:

<u>Assets</u>	<u>Year</u>
Water Distribution System and Water Treatment Plant	20-40
Office Buildings	30-40
Trucks, Equipment and Office Equipment	5-10
Software	3-5

Capital asset additions contributed to the Water System Revenue Fund are recorded as capital assets at their acquisition value at time of acquisition.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category for the year ended September 30, 2023, deferred outflows of pension earnings.

In addition to liabilities, the statement of financial 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category for the year ended September 30, 2023, deferred inflows of pension earnings.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government - wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Commissioners is authorized to assign amounts for specific purposes. The Board of Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above an additional action is essential to either remove or revise a commitment.

Net position in the government-wide statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment, net of any related debt.

Budgets and Budgetary Accounting

The District is required by state law to adopt an annual budget for each fund. Each budget is adopted on the cash basis. This basis is not consistent with accounting principles generally accepted in the United States of America (GAAP). Budgetary comparisons presented in this report, for the General Fund, are on this non-GAAP budgetary basis; however, there were no items at September 30, 2023 which would require conversion to GAAP budgetary basis. The budget is used as a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30. The Board of Commissioners amends the budget as activities occur that warrant such changes. The level of budgetary control is at the object level for the District. Any budgetary modifications at this level may only be made by resolution of the Board of Commissioners.

The District's procedures in establishing budgetary data reflected in the financial statements are as follows:

- a) In August, the Board of Commissioners meets and develops a budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures, revenues and intergovernmental transfers.
- b) Prior to October 1, the Board of Commissioners holds a public hearing, then formally approves the budget.

Appropriations for the general fund lapse at the end of the fiscal year.

Encumbrance accounting is not used by the District.

Estimates

The Board uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could vary from the estimates that were used.

New Accounting Standards

In fiscal year 2023, the District has not implemented any new accounting standards with a material effect on the District's financial statements.

NOTE 2 CASH AND INVESTMENTS

Cash Equivalents

All bank deposits were fully covered by federal depository insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted prices for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

The District's investment policies are governed by State Statutes which allow the following investments:

1. The Local Government Surplus Funds Trust (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest bearing savings accounts and certificates of deposit in qualified public depositories.
4. Direct obligations of the U.S. Government and its agencies.

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the State of Florida does provide regulatory oversight. The Board has adopted operating procedures consistent with the requirements for a 2a-7 fund for the Florida Prime Fund, therefore, the pool account balance can be used as fair value for the financial reporting.

At September 30, 2023, the District had the following investments:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity
Florida Prime	\$ 2,134,698	AAAm	35 days

The District does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The District policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories (QPD) by the Chief Financial Officer of the State of Florida, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2023, all of the District's bank deposits were in QPDs.

NOTE 3 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 216,239	\$ -	\$ -	\$ 216,239
Construction in progress	3,908,875	3,780	-	3,912,655
Total capital assets not being depreciated	<u>4,125,114</u>	<u>3,780</u>	<u>-</u>	<u>4,128,894</u>
Capital Assets Being Depreciated:				
Buildings	434,504	-	-	434,504
Water distribution system	6,085,251	18,875	-	6,104,126
Improvements/infrastructure	880,411	-	-	880,411
Machinery and equipment	1,318,160	144,174	-	1,462,334
Intangibles	33,359	-	-	33,359
Total capital assets being depreciated	<u>8,751,685</u>	<u>163,049</u>	<u>-</u>	<u>8,914,734</u>
Less Accumulated Depreciation for:				
Buildings	(220,283)	(11,534)	-	(231,817)
Water distribution system	(4,167,653)	(185,813)	-	(4,353,466)
Improvements/infrastructure	(856,159)	(2,425)	-	(858,584)
Machinery and equipment	(988,735)	(87,788)	-	(1,076,523)
Intangibles	(33,359)	-	-	(33,359)
Total accumulated depreciation	<u>(6,266,189)</u>	<u>(287,560)</u>	<u>-</u>	<u>(6,553,749)</u>
Total capital assets being depreciated, net	<u>2,485,496</u>	<u>(124,511)</u>	<u>-</u>	<u>2,360,985</u>
Total capital assets	<u>\$ 6,610,610</u>	<u>\$ (120,731)</u>	<u>\$ -</u>	<u>\$ 6,489,879</u>

Depreciation expense was \$287,560 and was charged to water activities for the year ended September 30, 2023.

NOTE 4 LONG-TERM LIABILITIES

Series 2013 Note- Direct Borrowing

On July 25, 2013, the District signed a promissory note for \$2,600,000 to finance the costs of certain capital improvements consisting of water line replacement and expansion of the water utility system and pay off the Series 2006 Note. The note requires monthly principal and interest payments beginning August 25, 2013 and carries a fixed interest rate of 2.60%. The maturity date is July 25, 2028 and is secured by a pledge of water system revenue. In the event of default, the entire unpaid principal and interest balance may become due.

Total principal and interest remaining on the Series 2013 Note as of September 30, 2023 is \$575,166. For the year ended September 30, 2023, principal and interest paid was \$237,943 and total water system revenue pledged for the year was \$866,903.

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

SRF Loans - Direct Borrowing

In January 2019, the District executed Drinking Water State Revolving Fund (SRF) Loan agreement DW090201 for the construction of transmission facilities. This agreement provides for total funding of \$130,000 including principal forgiveness of \$65,000. The loan period is for 10 years with semiannual principal and interest payments beginning December 15, 2019 and carries a fixed interest rate of 1.88%. The note is secured by gross revenues from the water system net of operation and maintenance costs and payments on senior debt obligations. The loan was repaid in 2023. For the year ended September 30, 2023, principal and interest paid was \$48,870 and pledged revenue was \$628,960.

In July 2019, the District executed Drinking Water State Revolving Fund (SRF) Loan agreement DW090202 for water main replacements. This agreement provides for total funding of \$2,560,000 including estimated principal forgiveness of \$1,328,250. The loan period is for 30 years and carries an estimated interest rate of 0.71%. Loan payments are scheduled to commence on August 15, 2022. The note is secured by gross revenues from the water system net of operation and maintenance costs. Total principal and interest remaining on the SRF Loan as of September 30, 2023 is \$1,141,230. For the year ended September 30, 2023, interest paid was \$6,061 and pledged revenue was \$628,960.

In the event of default on the State Revolving Fund Loans, the Florida Department of Environmental Protection may cause to establish rates and collect fees, require the District to account for all moneys received and used, appoint a receiver to manage the Water and Sewer Systems, intercept delinquent amounts plus a penalty due to the District under State Revenue Sharing, recover all amounts due including costs of collection and attorney fees, and accelerate the repayment schedule or increase the interest rate by a factor of up to 1.667.

A summary of long-term liability activity for the year ended September 30, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Other Post Employment Benefits	\$ 76,038	\$ -	\$ (9,412)	\$ 66,626	\$ -
Net Pension Liability	58,905	3,913	-	62,818	-
Governmental Activities long-term liabilities	<u>\$ 134,943</u>	<u>\$ 3,913</u>	<u>\$ (9,412)</u>	<u>\$ 129,444</u>	<u>\$ -</u>
Business-type Activities:					
Notes Payable:					
Series 2013 Note	\$ 776,281	\$ -	\$ (221,742)	\$ 554,539	\$ 197,434
SRF Loans	759,057	317,455	(47,991)	1,028,521	31,636
Compensated Absences	58,680	7,690	-	66,370	13,274
Other Post Employment Benefits	197,700	-	(51,124)	146,576	-
Net Pension Liability	792,528	71,429	-	863,957	-
Business-type Activities long-term liabilities	<u>\$ 2,584,246</u>	<u>\$ 396,574</u>	<u>\$ (320,857)</u>	<u>\$ 2,659,963</u>	<u>\$ 242,344</u>

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

A schedule of debt maturities for notes payable is as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 229,070	\$ 19,322
2025	234,490	13,902
2026	186,563	8,465
2027	32,315	6,567
2028	32,545	6,337
2029-2033	166,232	28,178
2034-2038	172,229	22,181
2039-2043	178,440	15,970
2044-2048	184,879	9,531
2049-2053	166,297	2,885
	<u>1,583,060</u>	<u>133,338</u>

NOTE 5 RETIREMENT PLANS

Florida Retirement System Retirement Plan

The District's employees participate in the Florida System Retirement Plan (the Plan), which is a conditionally qualified plan under Section 401(a) of the Internal Revenue Code. The Plan is a cost sharing public employee retirement system with one exception: All risks and costs are not shared by the District, but are the liability of the State of Florida. The Plan is funded through contributions by the District and the District has no legal obligation for paying benefits. Generally, membership is mandatory for all employees.

General Information

All of the District's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications

FRS

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

NOTE 5 RETIREMENT PLANS (CONTINUED)

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement. In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2022, through June 30, 2023 and from July 1, 2023 through September 30, 2023, respectively, were as follows: Regular – 11.91% and 13.57%; Senior Management Service – 31.57% and 34.52%; Elected Officers' 57.00% and 58.68%; and DROP participants 18.60% and 21.13%.

These employer contribution rates include 1.66% HIS Plan subsidy for the periods October 1, 2022 through June 30, 2023 and 2% from July 1, 2023 through September 30, 2023.

The District's contributions, including employee contributions, to the Pension Plan totaled \$95,352 for the fiscal year ended September 30, 2023.

NOTE 5 RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2023, the District reported a liability of \$664,728 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The District's proportionate share of the net pension liability was based on the District's 2022-23 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. At June 30, 2023, the District's proportionate share was 0.00167 percent, which was an decrease of 0.00012 percent from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the District recognized pension expense of \$143,508. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 62,412	\$ -
Change of Assumptions	43,332	-
Net Difference Between Projected and Actual earnings on Pension		
Plan investments	27,761	-
Changes in Proportion and Differences Between District Pension Plan		
Contributions and Proportionate Share of Contributions	51,499	55,742
District Pension Plan Contributions Subsequent to the Measurement Date	21,773	-
Total	\$ 206,777	\$ 55,742

The deferred outflows of resources related to the Pension Plan, totaling \$21,773 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30:</u>	<u>Amount</u>
2024	\$ 24,482
2025	(1,774)
2026	105,441
2027	48
2028	1,065
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.4 %
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	6.70%, net of pension plan investment expense, including inflation

NOTE 5 RETIREMENT PLANS (CONTINUED)

Mortality rates were based on the PUB-2010 base table varies by member category and sex projected generationally with Scale MP2018.

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

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation 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 (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash Equivalents	1.00%	2.90%	2.90%	1.10%
Fixed Income	19.80%	4.50%	4.40%	3.40%
Global Equity	54.00%	8.70%	7.10%	18.10%
Real Estate	10.30%	7.60%	6.60%	14.80%
Private Equity	11.10%	11.90%	8.80%	26.30%
Strategic Investments	3.80%	6.30%	6.10%	7.70%
Total	100.00%			
Assumed Inflation - Mean			2.40%	1.40%

(1) As outlined in the Pension Plan's investment policy

Discount Rate

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

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 discount rate of 6.70% as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
District's Proportionate Share of the Net Pension Liability	\$ 1,135,491	\$ 664,728	\$ 270,879

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

NOTE 5 RETIREMENT PLANS (CONTINUED)

HIS Plan

Plan Description

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2023, the HIS contribution for the period October 1, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023 was 1.66% and 2%, respectively. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled \$11,080 for the fiscal year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2023, the District reported a liability of \$262,047 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The District's proportionate share of the net pension liability was based on the District's 2022-23 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. At September 30, 2023, the District's proportionate share was 0.00165 percent, which was the same as its proportionate share measured as of September 30, 2022.

For the fiscal year ended September 30, 2023, the District recognized pension expense of \$97,578. In addition, the District reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,836	\$ 615
Change of Assumptions	6,889	22,707
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	135	-
Changes in Proportion and Differences Between District HIS Plan Contributions and Proportionate Share of Contributions	4,128	10,824
District HIS Plan Contributions Subsequent to the Measurement Date	3,135	-
Total	\$ 18,123	\$ 34,146

NOTE 5 RETIREMENT PLANS (CONTINUED)

The deferred outflows of resources related to the HIS Plan, totaling \$3,135 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30:</u>	<u>Amount</u>
2023	\$ (2,915)
2024	(2,215)
2025	(3,117)
2026	(5,876)
2027	(4,253)
Thereafter	(782)

Actuarial Assumptions

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

Inflation	2.4 %
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	3.65%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP 2018.

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

Discount Rate

The discount rate used to measure the total pension liability was 3.65%. 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.

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 discount rate of 3.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

	<u>1% Decrease</u> <u>2.65%</u>	<u>Current</u> <u>Discount Rate</u> <u>3.65%</u>	<u>1% Increase</u> <u>4.65%</u>
District's Proportionate Share of the Net Pension Liability	\$ 298,955	\$ 262,047	\$ 231,453

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

NOTE 5 RETIREMENT PLANS (CONTINUED)

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected District Officers, etc.), as the Pension Plan. Contributions are directed to individual member's accounts, and the individual member's allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2023 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 11.30%, and Elected officers' class 16.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2023, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$3,098 for the fiscal year ended September 30, 2023.

Section 457 Deferred Compensation Plan

Effective October 15, 2002, the Board adopted a Section 457 Deferred Compensation Plan for the benefit of all employees and commissioners. Employees and commissioners may defer up to Internal Revenue Code limits. There were no costs incurred by the District for the Plan and no employer contributions were made to the Plan for the year ended September 30, 2023.

NOTE 6 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; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the District to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the year ended September 30, 2023, the General Fund transferred \$265,899 to the Water Fund for current year debt service and \$163,049 for capital outlay.

NOTE 8 CONTINGENCIES

During the ordinary course of its operations, the District is a party to various claims, legal actions, and complaints. In addition, although the outcome of these lawsuits is not presently determinable, in opinion of the District's management and legal counsel, these matters are not anticipated to have a material financial impact on the District.

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

In accordance with Florida Statutes Section 112.0801, the District makes continued group health insurance through the District's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the District, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retirees.

Retirement eligibility

General Employees - Participants are eligible for medical continuation at age 62 and 10 years of service, or 25 years of service.

Benefits provided

<u>Type of Coverage</u>	<u>Employee</u>	<u>Spouse</u>
<u>Medical Coverage</u>		
Eligibility	Retiree meets District Retirement eligibility	Same as Retiree
Retiree cost sharing	Retiree pays 100% of premium	Retiree pays 100% of spousal premium
Coverage ceases	All forms of coverage cease upon the earlier of death or discontinuance of required cost sharing	All forms of coverage cease upon the earlier of death or discontinuance of
<u>Dental and Vision Coverage</u>		
	Not available to retirees.	Not available to retirees.
<u>Life Insurance Coverage</u>		
Eligibility	\$50,000	N/A
Retiree cost sharing	\$2,304	N/A
Coverage ceases	All forms of coverage cease upon the earlier of death or discontinuance of required cost sharing	N/A

Post-65 Medical coverage is available.

Employees covered by benefit terms

At October 1, 2023, (the valuation date), the following employees were covered by the benefit terms:

Retired Employees or Beneficiaries Currently Receiving Benefits	1
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	19
	20

Employer contributions

The funding policy of the plan sponsor is to contribute annually an amount sufficient to satisfy benefit payment requirements to participants.

Employee contributions

None.

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The District's total OPEB liability is \$213,202 as of September 30, 2023. The values shown for this fiscal year and reporting period are based on a measurement date of September 30, 2023 and the corresponding measurement period of October 1, 2023 to September 30, 2023. The measurement of the total OPEB liability is based on a valuation date of September 30, 2023.

Total OPEB Liability	\$	213,202
Plan Fiduciary Net Position		-
		<hr/>
Sponsor's Net OPEB Liability	\$	213,202
		<hr/> <hr/>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		0.00%

Actuarial assumptions and other inputs

The total OPEB liability in the September 30, 2023 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Mortality	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected fro 10 years.
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method

The District has used the alternative measurement method for employers. As a result of using the alternative measurement method, no deferred inflows or outflows related to OPEB are recognized.

Changes in Total OPEB Liability

	OPEB Liability
Balances at September 30, 2022	\$ 273,738
Changes for the year:	
Service cost	3,632
Interest	3,618
Contributions-employer	-
Economic/Demographic Gains or Losses	(58,348)
Assumption Changes or Inputs	(9,438)
	<hr/>
Net Changes	(60,536)
	<hr/>
Balances at September 30, 2023	\$ 213,202
	<hr/> <hr/>

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability/(asset) of the employer as of the measurement date calculated using the discount rate, as well as what the employer's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> 3.17%	<u>Current Discount</u> <u>Rate</u> 4.17%	<u>1% Increase</u> 5.17%
Plan Sponsor's Net OPEB Liability	\$ 266,849	\$ 213,202	\$ 171,543

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Plan Sponsor's Net OPEB Liability	\$ 213,202	\$ 213,202	\$ 213,202

Homosassa Special Water District
Schedule of the District's Proportionate Share of Net Pension Liability
 Last 10 Fiscal Years*

Florida Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Districts Proportion of the Net Pension Liability	0.00167%	0.00179%	0.00195%	0.00167%	0.00155%	0.00156%	0.00151%	0.00165%	0.00173%
Districts Proportionate Share of the Net Pension Liability	664,728	\$ 664,811	\$ 146,992	\$ 724,189	\$ 532,639	\$ 470,152	\$ 446,174	\$ 415,594	\$ 223,850
Districts employee payroll	642,379	\$ 633,172	\$ 627,201	\$ 595,634	\$ 564,724	\$ 564,856	\$ 556,812	\$ 539,541	\$ 510,934
Districts Proportionate Share of the Net Pension Liability as a Percentage of its covered payroll	103.48%	105.00%	23.44%	121.58%	94.32%	83.23%	80.13%	77.03%	43.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

HIS Plan

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Districts Proportion of the Net Pension Liability	0.00165%	0.00176%	0.00176%	0.00172%	0.00170%	0.00170%	0.00168%	0.00170%	0.00162%
Districts Proportionate Share of the Net Pension Liability	262,047	\$ 186,622	\$ 215,385	\$ 209,542	\$ 189,737	\$ 179,758	\$ 179,461	\$ 198,497	\$ 165,181
Districts employee payroll	642,379	\$ 633,172	\$ 627,201	\$ 595,634	\$ 564,856	\$ 564,856	\$ 556,812	\$ 556,812	\$ 539,541
Districts Proportionate Share of the Net Pension Liability as a Percentage of its covered payroll	40.79%	29.47%	34.34%	35.18%	33.59%	31.82%	32.23%	35.65%	30.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	50.00%

* Prior years data unavailable

Homosassa Special Water District
Schedule of District Contributions
 Last 10 Fiscal Years*

Florida Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 95,352	\$ 89,862	\$ 81,558	\$ 66,835	\$ 58,409	\$ 57,738	\$ 53,805	\$ 52,099	\$ 42,043
Contributions in Relation to the Contractually Required Contribution	(95,352)	(89,862)	(81,558)	(66,835)	(58,409)	(57,738)	(53,805)	(52,099)	(42,043)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Districts covered payroll	\$ 629,760	\$ 647,631	\$ 634,911	\$ 597,265	\$ 576,648	\$ 564,856	\$ 556,812	\$ 539,541	\$ 510,934
Contributions as a Percentage of covered payroll	15.14%	13.88%	12.85%	11.19%	10.13%	10.22%	9.66%	9.66%	8.23%

HIS Plan

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	11,080	\$ 10,999	\$ 10,449	\$ 9,923	\$ 9,567	\$ 9,220	\$ 9,017	\$ 8,703	\$ 6,821
Contributions in Relation to the Contractually Required Contribution	(11,080)	(10,999)	(10,449)	(9,923)	(9,567)	(9,220)	(9,017)	(8,703)	(6,821)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Districts covered payroll	\$ 629,760	\$ 647,631	\$ 634,911	\$ 597,265	\$ 576,648	\$ 564,856	\$ 556,812	\$ 539,541	\$ 510,934
Contributions as a Percentage of covered payroll	1.76%	1.70%	1.65%	1.66%	1.66%	1.63%	1.62%	1.61%	1.34%

* Prior years data unavailable

Homosassa Special Water District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
 Last 10 Fiscal Years*

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Total OPEB Liability						
Service cost	\$ 3,632	\$ 3,632	\$ 3,494	\$ 3,632	\$ 2,304	\$ 11,784
Interest	3,618	7,405	103	7,417	6,026	8,021
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(58,348)	(14,122)	6,600	(11,493)	48,481	(31,328)
Changes of assumptions	(9,438)	-	-	-	11,692	(45,495)
Benefit payments	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Net change in total OPEB liability	\$ (60,536)	\$ (3,085)	\$ 10,197	\$ (444)	\$ 68,503	\$ (57,018)
Total OPEB liability, beginning	<u>273,738</u>	<u>276,823</u>	<u>266,626</u>	<u>267,070</u>	<u>198,567</u>	<u>255,585</u>
Total OPEB liability, ending	<u>\$ 213,202</u>	<u>\$ 273,738</u>	<u>\$ 276,823</u>	<u>\$ 266,626</u>	<u>\$ 267,070</u>	<u>\$ 198,567</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 642,411	\$ 681,557	\$ 655,277	\$ 615,849	\$ 586,648	\$ 564,856
Net OPEB liability as a percentage of covered-employee payroll	33.19%	40.16%	42.25%	43.29%	45.52%	35.15%

* Prior years data unavailable

Internal Control and Compliance Section

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

Board of Commissioners
Homosassa Special Water District

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of Homosassa Special Water District as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Homosassa Special Water District’s basic financial statements, and have issued our report thereon dated May 9, 2024.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified the following deficiency in internal control, that we consider to be a significant deficiency.

23-01 - Internal Controls Over the Preparation of Financial Statements

As a result of our audit, we proposed numerous audit adjustments to correct the books as originally provided to us for the audit. These adjustments included adjustments to the accrual basis of accounting. Due to the small size of the government staff, staff have limited expertise in governmental accounting standards, and as a result, errors in the financial statements could go undetected. We recommend that staff obtain additional training and utilize the contract accountant to assist in the year end audit preparation. We noted that during the year, the District staff began taking additional training, and subsequent to year end, engaged a contract accountant to assist in reconciliations and year end adjustments.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homosassa Special Water District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Homosassa Special Water District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described previously. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Orlando, Florida
May 9, 2024



MANAGEMENT COMMENTS

Board of Commissioners
Homosassa Special Water District
Homosassa, Florida

Report on the Financial Statements

We have audited the financial statements of *Homosassa Special Water District* (the “District”), Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated May 9, 2024.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountant’s Report on an examination conducted in accordance with *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 May 9, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require 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 annual financial audit report, except as noted below:

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2021-22 FY Finding No.	2020-21 FY Finding No.
23-01	22-01	N/A

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. This information has been 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 District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we identified the following area for improvement:

Specific Information (Unaudited)

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

- a. The total number of District employees compensated in the last pay period of the District's fiscal year as 11.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 1.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$650,101.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$18,833.
- e. The District did not have any construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final budget under Section 189.016(6), Florida Statutes, as included in the general fund budget statement.

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

- a. The mileage rate or rates imposed by the District as 1.3307.
- b. The total amount of ad valorem taxes collected by or on behalf of the District as \$806,023.
- c. The total amount of bonds issued by the district and the terms of such bonds as: not applicable.

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 have any such findings.

Purpose of this Letter

Our management letter is intended solely for the 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 Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

McDermitt Davis

Orlando, Florida
May 9, 2024



934 North Magnolia Avenue, Suite 100
Orlando, Florida 32803
407-843-5406
www.mcdermittdavis.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

Board of Commissioners
Homosassa Special Water District

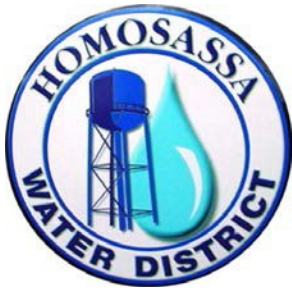
We have examined Homosassa Special Water District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2023. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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, Homosassa Special Water District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

McDermitt Davis

Orlando, Florida
May 9, 2024



Homosassa Special Water District

PO Box 195
Homosassa, FL 34487

Business Hours: 7:00 AM - 5:30 PM, Monday - Thursday
Excepting Holidays
Phone (352) 628-3740 hswd@homosassawater.com Fax (352) 628-4865

May 21st 2024

Auditor General's Office
Local Government Audits/342
Claude Pepper Building, Room 401
111 W Madison St
Tallahassee, FL 32399-1450

Dear Sirs,

At a regular meeting of the Board of Commissioners of the Homosassa Special Water District held on Monday May 20th 2024, the following decisions were made concerning the recommendation on Internal Controls under the Management comments section.

See recommendation attached.

23-01 Internal Controls Over the Preparation of Financial Statements

At this time the District and the office staff are working with our external contracted accountant to assist the District with the year end audit preparation as well as the office staff have educated themselves through training with accrual accounting as well as governmental accounting standards and we will continue to do so.

If you should have any questions concerning this letter, please do not hesitate to contact me at the District office at 352-628-3740.

Sincerely,

Jennifer Roberts

Jennifer Roberts
Office Manager
Homosassa Special Water District