Financial Statements

September 30, 2020

Homosassa Special Water District

Introductory Section

Homosassa Special Water District
Table of Contents

	Page
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 - General Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance - General 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	37
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

McDirmit Davis

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Homosassa Special Water District

Report on the Financial Statements
We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above 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, 2020, and the respective changes in financial position and 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.

Other Matters
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, although not a 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 5, 2021 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.

Orlando, Florida
May 5, 2021

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, 2020. 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 $5,063,551 (net position). Of this amount, $973,555 (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 $513,970.
- As of the close of the current fiscal year, the Homosassa Special Water District's governmental funds reported combined ending fund balances of $1,205,648, a decrease of $700,954 in comparison with the prior year. Unassigned fund balance for the General Fund was $1,205,648 or 8 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.

Government-Wide Financial Analysis

The District's net position for the year ending 2020 and 2019 were $5,063,551 and $4,549,581 respectively, an increase of $513,970. A large portion of the District's net position (66%) 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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Assets:						
Current and other assets	$ 1,215,916	1,913,850	1,731,231	701,763	$ 2,947,147	$ 2,615,613
Capital assets	-	-	4,854,396	4,589,273	4,854,396	4,589,273
Total assets	1,215,916	1,913,850	6,585,627	5,291,036	7,801,543	7,204,886
Deferred Outflows of Resources	20,205	22,073	271,839	205,265	292,044	227,338
Liabilities:						
Current liabilities	10,268	7,248	214,813	55,393	225,081	62,641
Noncurrent liabilities	147,920	152,101	2,630,754	2,602,353	2,778,674	2,754,454
Total liabilities	158,188	159,349	2,845,567	2,657,746	3,003,755	2,817,095
Deferred Inflows of Resources	1,818	6,628	24,463	58,920	26,281	65,548
Net Position:						
Net investment in capital assets	-	-	3,340,581	2,884,932	3,340,581	2,884,932
Restricted	-	-	749,415	940,401	749,415	940,401
Unrestricted	1,076,115	1,769,946	(102,560)	(1,045,698)	973,555	724,248
Total net position	$ 1,076,115	$ 1,769,946	$ 3,987,436	$ 2,779,635	$ 5,063,551	$ 4,549,581

Changes in Net Position for the Year Ended September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Revenues:						
Program Revenues-						
Charges for services	$ -	$ -	$ 1,654,729	$ 1,568,732	$ 1,654,729	$ 1,568,732
Intergovernmental	-	-	103,616	65,000	103,616	65,000
General Revenues-						
Ad valorem taxes	661,784	621,372	-	-	661,784	621,372
Investment income and miscellaneous	15,401	26,376	25,489	28,685	40,890	55,061
Total Revenues	677,185	647,748	1,783,834	1,662,417	2,461,019	2,310,165
Expenses:						
General government	147,481	171,260	-	-	147,481	171,260
Water system	-	-	1,799,568	1,816,701	1,799,568	1,816,701
Total Expenses	147,481	171,260	1,799,568	1,816,701	1,947,049	1,987,961
Increase (Decrease) in Net Position Before Transfers	529,704	476,488	(15,734)	(154,284)	513,970	322,204
Transfers	(1,223,535)	(244,210)	1,223,535	244,210	-	-
Increase (Decrease) in Net Position	(693,831)	232,278	1,207,801	89,926	513,970	322,204
Net Position - beginning	1,769,946	1,537,668	2,779,635	2,689,709	4,549,581	4,227,377
Net Position - ending	$ 1,076,115	$ 1,769,946	$ 3,987,436	$ 2,779,635	$ 5,063,551	$ 4,549,581

Governmental Activities
Governmental activities decreased net position $693,831. Total governmental activities expenses decreased $9,378 (5%), and transfers out increased by $979,325.

Business-Type Activities
Charges for services for business-type activities increased 5% from 2019 to 2020. Total business-type expenses decreased 1% from 2019 to 2020.

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 decreased $700,954 from the previous year and is reporting an ending fund balance of $1,205,648. 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 an operating loss of $102,506, which is an increase of $20,365 from the previous year. Of the total net position in the amount of $3,987,436, $749,415 is restricted for FDOT projects.

Final Budget versus Actual Results - General Fund
Total revenues for the year ending 2020 came in $2,881 greater than what was budgeted. This is due to investment income exceeding the budget.

Total expenditures for the year ending 2020 came in $283,082 less than budgeted, due to budgeting for capital outlay, which was not expended in the General Fund. Transfers out came in $1,002,054 over budget due to the forgiveness of the balance due from the water fund.

Capital Assets
At September 30, 2020, the District's investment in capital assets amounts to $4,854,396 (net of accumulated depreciation). This amount represents an increase of $265,123 from the year ending September 30, 2019. This increase is due to current year additions exceeding depreciation.

Long-Term Debt
At September 30, 2020, the District had a Note payable of $1,453,227 outstanding, and a SRF loan of $60,588 outstanding.

Economic Factors
In October 2019 the District increased water rates 3%, which would bring in approximately an additional $45,000.

For the 2019-2020 budget cycle, the Board set the millage rate at 1.3307 which is expected to bring in an additional $42,000 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. 195, Homosassa, Florida 34487.

Basic Financial Statements

Homosassa Special Water District
Statement of Net Position
September 30, 2020

	Primary Government		
	Governmental Activities (General Fund)	Business-Type Activities (Water System Revenue Fund)	Total
Assets:			
Cash and cash equivalents	$ 1,215,916	$ 587,713	$ 1,803,629
Receivables (net of allowance)	-	153,833	153,833
Due from other governments	-	103,616	103,616
Prepaids	-	749,415	749,415
Inventory-field supplies	-	136,654	136,654
Capital assets not being depreciated:			
Land	-	216,239	216,239
Construction in progress	-	2,012,865	2,012,865
Capital assets being depreciated, net of accumulated depreciation	-	2,625,292	2,625,292
Total assets	1,215,916	6,585,627	7,801,543
Deferred Outflows of Resources:			
Deferred outflows of pension earnings	20,205	271,839	292,044
Liabilities:			
Accounts payable	10,268	164,469	174,737
Customer deposits	-	50,344	50,344
Noncurrent Liabilities:			
Due within one year	-	192,927	192,927
Due in more than one year	147,920	2,437,827	2,585,747
Total liabilities	158,188	2,845,567	3,003,755
Deferred Inflows of Resources:			
Deferred inflows of pension earnings	1,818	24,463	26,281
Net Position:			
Net investment in capital assets	-	3,340,581	3,340,581
Restricted for FDOT projects	-	749,415	749,415
Unrestricted	1,076,115	(102,560)	973,555
Total net position	$ 1,076,115	$ 3,987,436	$ 5,063,551

Homosassa Special Water District
Statement of Activities
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Position: Governmental Activities	Net (Expense) Revenue and Changes in Position: Business-type Activities	Net (Expense) Revenue and Changes in Position: Total
Primary government						
Governmental Activities -						
General government	$ 147,481	$ -	$ -	$ (147,481)	$ -	$ (147,481)
Total governmental activities	147,481	-	-	(147,481)	-	(147,481)
Business-type activities -						
Water	1,799,568	1,654,729	103,616	-	(41,223)	(41,223)
Total business-type activities	1,799,568	1,654,729	103,616	-	(41,223)	(41,223)
Total primary government	$ 1,947,049	$ 1,654,729	$ 103,616	(147,481)	(41,223)	(188,704)
	General Revenues:					
	Property taxes			661,784	-	661,784
	Investment income and miscellaneous			15,401	25,489	40,890
	Transfers			(1,223,535)	1,223,535	-
	Total general revenues and transfers			(546,350)	1,249,024	702,674
	Change in net position			(693,831)	1,207,801	513,970
	Net Position, beginning			1,769,946	2,779,635	4,549,581
	Net Position, ending			$ 1,076,115	$ 3,987,436	$ 5,063,551

Homosassa Special Water District
Balance Sheet Governmental Fund
September 30, 2020

		General Fund
Assets:		
Cash and cash equivalents		$ 1,215,916
Total assets		$ 1,215,916
Liabilities and Fund Balance:		
Liabilities:		
Accounts payable		$ 10,268
Total liabilities		10,268
Fund Balance:		
Unassigned		1,205,648
Total fund balance		1,205,648
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.		18,387
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Other post employment benefits	(83,321)	
Net pension liability	(64,599)	(147,920)
Net position of governmental activities		$ 1,076,115

Homosassa Special Water District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund
Year Ended September 30, 2020

	General Fund
Revenues:	
Property taxes	$ 661,784
Investment earnings	15,401
Total revenues	677,185
Expenditures:	
Current:	
General government	154,604
Total expenditures	154,604
Excess of Revenues Over Expenditures	522,581
Other Financing Sources(Uses):	
Transfers out	(1,223,535)
Total other financing sources (uses)	(1,223,535)
Net Change in Fund Balance	(700,954)
Fund Balance, beginning of year	1,906,602
Fund Balance, end of year	$ 1,205,648
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	$ (700,954)
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.	6,985
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.	138
Change in net position of governmental activities	$ (693,831)

Homosassa Special Water District
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	$ 650,000	$ 661,804	$ 661,784	$ (20)
Investment income	12,500	12,500	15,401	2,901
Total revenues	662,500	674,304	677,185	2,881
Expenditures:				
General Government:				
Tax collection and assessment fee	30,000	30,847	30,846	1
Salaries, wages and benefits	74,218	79,319	79,319	-
Audit and accounting fees	23,000	23,000	11,500	11,500
Legal fees	20,500	20,500	16,394	4,106
Engineers	12,000	12,000	7,475	4,525
Capital Outlay	259,000	272,020	9,070	262,950
Total general government	418,718	437,686	154,604	283,082
Total expenditures	418,718	437,686	154,604	283,082
Excess of Revenues Over Expenditures	243,782	236,618	522,581	285,963
Other Financing Sources (Uses)				
Transfers out	(210,000)	(221,481)	(1,223,535)	(1,002,054)
Total other financing sources (uses)	(210,000)	(221,481)	(1,223,535)	(1,002,054)
Net Change in Fund Balance	33,782	15,137	(700,954)	(716,091)
Fund Balance, beginning of year	1,906,602	1,906,602	1,906,602	-
Fund Balance, end of year	$ 1,940,384	$ 1,921,739	$ 1,205,648	$ (716,091)

Homosassa Special Water District
Statement of Net Position Proprietary Fund
September 30, 2020

	Water System Revenue Fund
Assets:	
Current assets:	
Cash and cash equivalents	$ 587,713
Accounts receivable, net	153,833
Due from other governments	103,616
Prepaid expenses	749,415
Inventories	136,654
Total current assets	1,731,231
Noncurrent assets:	
Capital Assets:	
Land	216,239
Construction in progress	2,012,865
Buildings	429,191
Water distribution system	6,054,010
Improvements	880,411
Machinery and equipment	1,106,575
Software	33,359
Less accumulated depreciation	(5,878,254)
Total noncurrent assets	4,854,396
Total assets	6,585,627
Deferred Outflows of Resources:	
Deferred outflows of pension earnings	271,839

Homosassa Special Water District
Statement of Net Position Proprietary Fund
September 30, 2020

	Water System Revenue Fund
Liabilities:	
Current liabilities:	
Accounts payable	$ 164,469
Customer deposits payable	50,344
Notes payable-current	180,027
Compensated absences-current	12,900
Total current liabilities	407,740
Noncurrent liabilities:	
OPEB obligation	183,305
Compensated absences	51,602
Notes payable	1,333,788
Net pension liability	869,132
Total noncurrent liabilities	2,437,827
Total liabilities	2,845,567
Deferred Inflows of Resources:	
Deferred inflows of pension earnings	24,463
Net Position:	
Net investment in capital assets	3,340,581
Restricted for FDOT projects	749,415
Unrestricted	(102,560)
Total net position	$ 3,987,436

Homosassa Special Water District
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
Year Ended September 30, 2020

	Water System Revenue Fund
Operating Revenues:	
Charges for services	$ 1,654,729
Total operating revenues	1,654,729
Operating Expenses:	
Personal services	963,203
Utilities	65,533
Materials and supplies	178,717
Repairs and maintenance	107,151
Depreciation and amortization	240,436
Insurance	91,537
Other expenses	110,658
Total operating expenses	1,757,235
Operating loss	(102,506)
Nonoperating Revenue (Expenses):	
Intergovernmental	103,616
Investment income	25,489
Interest expense	(42,333)
Total nonoperating revenue (expenses)	86,772
Income (loss) before transfers	(15,734)
Transfers In	1,223,535
Change in net position	1,207,801
Total Net Position, beginning	2,779,635
Total Net Position, ending	$ 3,987,436

Homosassa Special Water District
Statement of Cash Flows Proprietary Fund
Year Ended September 30, 2020

	Water System Revenue Fund
Cash Flows from Operating Activities:	
Cash received from customers	$ 1,644,732
Cash paid to employees	(845,307)
Cash paid to suppliers	(215,022)
Net cash provided by operating activities	584,403
Cash Flows from Investing Activities:	
Investment income (loss)	25,489
Net cash provided by investing activities	25,489
Cash Flows from Noncapital Financing Activities:	
Decrease in balance due to general fund	(966,505)
Transfer in from general fund	1,223,535
Net cash provided by noncapital financing activities	257,030
Cash Flows from Capital and Related Financing Activities:	
Acquisitions and construction of capital assets	(505,559)
Payments on notes payable	(190,526)
Interest paid on notes payable	(42,333)
Net cash used by capital and related financing activities	(738,418)
Net Increase in Cash	128,504
Cash and Cash Equivalents, beginning	459,209
Cash and Cash Equivalents, ending	$ 587,713
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	(102,506)
Adjustments Not Affecting Cash:	
Depreciation	240,436
Change in Assets and Liabilities:	
Decrease (increase) in accounts and unbilled revenue receivable	(12,137)
Decrease (increase) in prepaid expenses	190,986
Increase (decrease) in accounts payable	157,280
Increase (decrease) in OPEB obligation	(306)
Decrease (increase) in deferred outflows	(66,574)
Increase (decrease) in deferred inflows	(34,457)
Increase (decrease) in net pension liability	215,398
Increase (decrease) in salaries payable	3,835
Decrease (increase) in inventory	(9,692)
Increase (decrease) in customers' deposits	2,140
Total adjustments	686,909
Net Cash Provided by Operating Activities	$ 584,403

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaids
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."

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. Cost includes capitalized interest on long-term obligations and overhead costs during the construction period of capital assets, when material. 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 only 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:

Assets	Year
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 invested in 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, 2020, 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, 2020, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and 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, 2020 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.

Excess Expenditures over Appropriations
Transfers out exceeded appropriations by $1,002,054 due to the forgiveness of the interfund loan. These over expenditures were funded by greater than anticipated revenues and available fund balance.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards
In fiscal year 2020, the District implemented Government Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of provisions in certain other statements. There was no effect on beginning balances of the District for implementation of this Statement.

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".

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, 2020, the District had the following investments:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity
Florida Prime	$ 1,282,212	AAAm	48 days

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2020, all of the District's bank deposits were in QPDs.

NOTE 3 CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	$ 216,239	$ -	$ -	$ 216,239
Construction in progress	1,865,182	485,973	(338,290)	2,012,865
Total capital assets not being depreciated	2,081,421	485,973	(338,290)	2,229,104
Capital Assets Being Depreciated:				
Buildings	429,191	-	-	429,191
Water distribution system	5,706,452	347,558	-	6,054,010
Improvements/infrastructure	880,411	-	-	880,411
Machinery and equipment	1,096,257	10,318	-	1,106,575
Intangibles	33,359	-	-	33,359
Total capital assets being depreciated	8,145,670	357,876	-	8,503,546
Less Accumulated Depreciation for:				
Buildings	(185,794)	(11,646)	-	(197,440)
Water distribution system	(3,613,780)	(182,049)	-	(3,795,829)
Improvements/infrastructure	(848,094)	(3,215)	-	(851,309)
Machinery and equipment	(957,121)	(43,196)	-	(1,000,317)
Intangibles	(33,029)	(330)	-	(33,359)
Total accumulated depreciation	(5,637,818)	(240,436)	-	(5,878,254)
Total capital assets being depreciated, net	2,507,852	117,440	-	2,625,292
Total capital assets	$ 4,589,273	$ 603,413	$ (338,290)	$ 4,854,396

Depreciation expense was $240,436 and was charged to water activities for the year ended September 30, 2020.

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, 2020 is $1,604,252. For the year ended September 30, 2020, principal and interest paid was $225,510 and total water system revenue pledged for the year was $1,386,954.

SRF Loan - 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. Total principal and interest remaining on the SRF Loan as of September 30, 2020 is $66,138. For the year ended September 30, 2020, principal and interest paid was $7,349 and pledged revenue was $1,161,444.

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 July 15, 2021. As of year end, the District had not drawn any balance on the note, or incurred any costs related to the project. The note is secured by gross revenues from the water system net of operation and maintenance costs.

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 City 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 City 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, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Other Post Employment Benefits	$ 83,459	$ -	$ (138)	$ 83,321	$ -
Net Pension Liability	68,642	-	(4,043)	64,599	-
Governmental Activities long-term liabilities	$ 152,101	$ -	$ (4,181)	$ 147,920	$ -
Business-type Activities:					
Notes Payable:					
Series 2013 Note	$ 1,637,626	$ -	$ (184,399)	$ 1,453,227	$ 173,788
SRF Loan	66,715	-	(6,127)	60,588	6,239
Compensated Absences	60,667	3,835	-	64,502	12,900
Other Post Employment Benefits	183,611	-	(306)	183,305	-
Net Pension Liability	653,734	215,398	-	869,132	-
Business-type Activities long-term liabilities	$ 2,602,353	$ 219,233	$ (190,832)	$ 2,630,754	$ 192,927

NOTE 4 LONG TERM LIABILITIES (CONTINUED)

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

Years Ending September 30,	Principal	Interest
2021	$ 180,027	$ 36,833
2022	184,717	32,142
2023	189,530	27,329
2024	194,469	22,390
2025	199,537	17,322
2026-2029	565,535	20,560
	$ 1,513,815	$ 156,576

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, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020, respectively, were as follows: Regular - 8.47% and 10%; Senior Management Service - 25.41% and 27.29%; Elected Officers' - 48.82% and 49.18%; and DROP participants -14.60% and 16.98%.

These employer contribution rates include 1.66% HIS Plan subsidy for the periods October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020.

The District's contributions, including employee contributions, to the Pension Plan totaled $66,835 for the fiscal year ended September 30, 2020.

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, 2020, the District reported a liability of $724,189 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was .00167 percent, which was an increase of .00012 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the District recognized pension expense of $158,271. 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	$ 27,716	$ -
Change of Assumptions	131,101	-
Net Difference Between Projected and Actual earnings on Pension Plan investments	43,119	-
Changes in Proportion and Differences Between District Pension Plan Contributions and Proportionate Share of Contributions	32,247	12,654
District Pension Plan Contributions Subsequent to the Measurement Date	17,598	-
Total	$ 251,781	$ 12,654

The deferred outflows of resources related to the Pension Plan, totaling $17,598 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2021	$ 43,728
2022	67,094
2023	60,137
2024	38,434
2025	12,136
Thereafter	-

NOTE 5 RETIREMENT PLANS (CONTINUED)

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

Inflation	2.4 %
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	6.80%, net of pension plan investment expense, including inflation

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

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation 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	1.00%	2.20%	2.20%	1.20%
Fixed Income	19.00%	3.00%	2.90%	3.50%
Global Equity	54.20%	8.00%	6.70%	17.10%
Real Estate	10.30%	6.40%	5.80%	11.70%
Private Equity	11.10%	10.80%	8.10%	25.70%
Strategic Investments	4.40%	5.50%	5.30%	6.90%
Total	100.00%			
Assumed Inflation - Mean			2.40%	1.70%

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

Discount Rate
The discount rate used to measure the total pension liability was 6.80%. 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 calculation the total pension liability is equal to the long-term expected rate of return.

NOTE 5 RETIREMENT PLANS (CONTINUED)

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 6.80% 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 (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
District's Proportionate Share of the Net Pension Liability	$ 1,156,408	$ 724,189	$ 363,198

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.

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, 2020, 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, 2020, the HIS contribution for the period October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020 was 1.66% and 1.66%, 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 $9,923 for the fiscal year ended September 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At September 30, 2020, the District reported a liability of $209,542 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At September 30, 2020, the District's proportionate share was .0017 percent, which was the same as its proportionate share measured as of September 30, 2019.

NOTE 5 RETIREMENT PLANS (CONTINUED)

For the fiscal year ended September 30, 2020, the District recognized pension expense of $19,467. 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	$ 8,572	$ 162
Change of Assumptions	22,532	12,184
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	167	-
Changes in Proportion and Differences Between District HIS Plan Contributions and Proportionate Share of Contributions	6,548	1,281
District HIS Plan Contributions Subsequent to the Measurement Date	2,444	-
Total	$ 40,263	$ 13,627

The deferred outflows of resources related to the HIS Plan, totaling $2,444 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, 2021. 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:

Fiscal Year Ending September 30:	Amount
2021	$ 7,446
2022	5,363
2023	1,487
2024	2,943
2025	3,678
Thereafter	3,275

Actuarial Assumptions
The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.4 %
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	2.21%

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

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

NOTE 5 RETIREMENT PLANS (CONTINUED)

Discount Rate
The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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 2.21%, 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 (1.21%) or one percentage point higher (3.21%) than the current rate:

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
District's Proportionate Share of the Net Pension Liability	$ 242,221	$ 209,542	$ 182,794

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.

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 accounts, and the individual members 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 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2020 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, and Special Risk class 14.00%.

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, 2020, 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.

NOTE 5 RETIREMENT PLANS (CONTINUED)

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 $5,012 for the fiscal year ended September 30, 2020.

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, 2020.

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

As of September 30, 2020, the General Fund transferred $966,505 to the Water Fund to forgive prior year interfund loan and $257,030 for the current year debt service.

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.

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits provided

Type of Coverage	Employee	Spouse
Medical Coverage		
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
Dental and Vision Coverage	Not available to retirees.	Not available to retirees.
Life Insurance Coverage		
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, 2020, (the valuation date), the following employees were covered by the benefit terms:

Retired Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	16
	19

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.

Total OPEB Liability
The District's total OPEB liability of $266,626 as of September 30, 2020 for the District's fiscal year and reporting period of October 1, 2019 to September 30, 2020. The values shown for this fiscal year and reporting period are based on a measurement date of September 30, 2020 and the corresponding measurement period of October 1, 2019 to September 30, 2020. The measurement of the total OPEB liability is based on a valuation date of September 30, 2020.

Total OPEB Liability	$	266,626
Plan Fiduciary Net Position		-
Sponsor's Net OPEB Liability	$	266,626
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		0.00%

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions and other inputs
The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Mortality	RP-2000 Mortality Table, projected 18 years; this assumption does not include a margin for future improvements in longevity
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, 2019	$ 267,070
Changes for the year:	
Service cost	3,632
Interest	7,417
Contributions-employer	-
Economic/Demographic Gains or Losses	(11,493)
Assumption Changes or Inputs	-
Net Changes	(444)
Balances at September 30, 2020	$ 266,626

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:

	1% Decrease 1.74%	Current Discount Rate 2.74%	1% Increase 3.74%
Plan Sponsor's Net OPEB Liability	$ 323,491	$ 266,626	$ 221,937

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 (8.5 percent decreasing to 4.5 percent) or 1-percentage-point higher (10.5 percent decreasing to 6.5 percent) than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Plan Sponsor's Net OPEB Liability	$ 266,626	$ 266,626	$ 266,626

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

Florida Retirement System

	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.001670891%	0.001546634%	0.001560901%	0.001508397%	0.001645911%	0.001733008%
District's Proportionate Share of the Net Pension Liability	$ 724,189	$ 532,639	$ 470,152	$ 446,174	$ 415,594	$ 223,850
District's employee Payroll	$ 595,634	$ 564,724	$ 564,856	$ 556,812	$ 539,541	$ 510,934
District's Proportionate Share of the Net Pension Liability as a Percentage of its covered payroll	121.58%	94.32%	83.23%	80.13%	77.03%	43.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

HIS Plan

	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.001716170%	0.001695748%	0.001698380%	0.001678390%	0.001703166%	0.001619668%
District's Proportionate Share of the Net Pension Liability	$ 209,542	$ 189,737	$ 179,758	$ 179,461	$ 198,497	$ 165,181
District's employee Payroll	$ 595,634	$ 564,856	$ 564,856	$ 556,812	$ 556,812	$ 539,541
District's Proportionate Share of the Net Pension Liability as a Percentage of its covered payroll	35.18%	33.59%	31.82%	32.23%	35.65%	30.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	3.00%	2.63%	2.15%	1.64%	0.97%	50.00%

* only 6 years of data available

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

Florida Retirement System

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 66,835	$ 58,409	$ 57,738	$ 53,805	$ 52,099	$ 42,043
Contributions in Relation to the Contractually Required Contribution	(66,835)	(58,409)	(57,738)	(53,805)	(52,099)	(42,043)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 597,265	$ 576,648	$ 564,856	$ 556,812	$ 539,541	$ 510,934
Contributions as a Percentage of covered payroll	11.19%	10.13%	10.22%	9.66%	9.66%	8.23%

HIS Plan

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 9,923	$ 9,567	$ 9,220	$ 9,017	$ 8,703	$ 6,821
Contributions in Relation to the Contractually Required Contribution	(9,923)	(9,567)	(9,220)	(9,017)	(8,703)	(6,821)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 597,265	$ 576,648	$ 564,856	$ 556,812	$ 539,541	$ 510,934
Contributions as a Percentage of covered payroll	1.66%	1.66%	1.63%	1.62%	1.61%	1.34%

* only 6 years of data available

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

	9/30/2020	9/30/2019	9/30/2018
Total OPEB Liability			
Service cost	$ 3,632	$ 2,304	$ 11,784
Interest	7,417	6,026	8,021
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(11,493)	48,481	(31,328)
Changes of assumptions	-	11,692	(45,495)
Benefit payments	-	-	-
Other changes	-	-	-
Net change in total OPEB liability	$ (444)	$ 68,503	$ (57,018)
Total OPEB liability, beginning	267,070	198,567	255,585
Total OPEB liability, ending	$ 266,626	$ 267,070	$ 198,567
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
covered payroll	$ 615,849	$ 586,648	$ 564,856
Net OPEB liability as a percentage of payroll	43.29%	45.52%	35.15%

* only 3 years of data available

Internal Control and Compliance Section

McDirmit Davis

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

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, 2020, 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 5, 2021.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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.

McDirmit Davis

Orlando, Florida
May 5, 2021

McDirmit Davis

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

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, 2020, and have issued our report thereon dated May 5, 2021.

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 5, 2021, 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 #	2018-19 FY Finding #	2017-18 FY Finding #
20-1	19-2	18-1

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. See Appendix A for current year comments and recommendations.

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

Orlando, Florida
May 5, 2021

ML 20-1- Account Reconciliations

Criteria - Utility accounts receivable subledger should be reconciled to the general ledger.

Condition - The utility accounts system subledger does not agree to the accounting module accounts receivable balance.

Cause - Various posting discrepancies have not been reconciled between the customer detail accounts receivable ledger and the general ledger balance.

Effect - Various unreconciled differences could go undetected.

Recommendation - We recommend that the District implement procedures to reconcile the two modules each month and follow up on posting differences.

McDirmit Davis

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

INDEPENDENT ACCOUNTANT'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, 2020. 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, 2020.

McDirmit Davis

Orlando, Florida
May 5, 2021

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@tampabay.rr.com Fax (352) 628-4865

May 5, 2021

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 17, 2021, the following decisions were made concerning the recommendation on Internal Controls under the Management comments section.

See recommendation attached.

ML 20-1 Account Reconciliations

At this time the District is working in conjunction with our software company to clear this issue up. Along with our office they have been researching this issue and will supply recommendations.

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,

Teresa Olds

Teresa Olds
Office Manager
Homosassa Special Water District

This page intentionally left blank.