

**ENGLEWOOD WATER DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Englewood Water District
Englewood, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Englewood Water District (the "District") as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2020 and 2019, and the changes in financial position and cash flows for the years 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 (on pages 4 – 10), the Schedule of the District's Total OPEB Liability and Related Ratios, Schedule of the District's Proportionate Share of the Net Pension Liability – FRS, Schedule of the District's Contributions – FRS, Schedule of the District's Proportionate Share of the Net Pension Liability – HIS, Schedule of the District's Contributions – HIS, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Pension Investment Returns (on pages 44 – 51) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Operating Expenses by Department, the Schedule of Monthly Water and Wastewater Rates, and the Schedule of Insurance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses by Department is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses by Department is fairly stated in all material respects in relation to the basic financial statements as a whole.

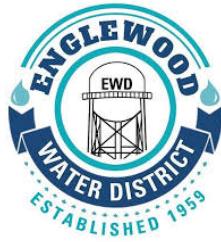
The Schedule of Monthly Water and Wastewater Rates and the Schedule of Insurance Coverage have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 effectiveness of the District's 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
February 24, 2021



Management's Discussion and Analysis (MD&A) offers readers of the Englewood Water District's (the "District") financial statements an overview of the financial activities for the fiscal year ended on September 30, 2020. Please read it in conjunction with the financial statements with its accompanying notes.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources on September 30, 2020, by \$98.8 million (net position), a \$2.0 million increase from the previous fiscal year. Of this amount, \$14.7 million (unrestricted net position) may be used to meet the District's ongoing obligations to customers and creditors. Of the remaining \$84.1 million, \$82.7 million was invested in capital assets, net of related debt, while the remainder was restricted for renewal and replacement and meter replacement.
- The District's net capital assets decreased by \$1.9 million, or 2.0% from the previous year.
- Long-term debt decreased by approximately \$3.1 million from fiscal year 2019 due to required debt service payments.
- The District is reporting a net pension liability of \$6.2 million as of September 30, 2020.
- Operating revenues for 2020 were \$17.5 million, compared with operating revenue of \$16.5 million in 2019, a 6.3% increase. Excluding depreciation, operating expenses increased \$328 thousand or 2.8% from fiscal year 2019. This was mostly attributable to an increase in salaries.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District is a special district engaged in business type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent is that of providing goods and services (including depreciation), on a continuing basis, and to be financed or recovered primarily through user charges.

The financial statements presented in this report are required and consist of: (1) Management's Discussion and Analysis (MD&A); (2) Basic Financial Statements; (3) Notes to the Financial Statements; (4) Required Supplementary Information; and (5) Other Supplementary Information. These topics are further explained as follows:

- MD&A - This section relates mostly to the changes in the District's finances and explains the Basic Financial Statements. The MD&A is on pages 4-10.

- Basic Financial Statements, pages 11-14.
 - The Statement of Net Position presents information on all of the District's assets, deferred outflow of resource, liabilities, and deferred inflow of resources, with the difference between assets plus deferred outflow of resources and liabilities and deferred inflow of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.
 - The Statement of Revenues, Expenses, and Changes in Net Position presents information about the amounts of revenues, expenses, and resulting change in net position for the year.
 - The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of earnings events, when obligations arise, or depreciation of capital assets.
- The Notes to the Financial Statement provide information that is essential to a full understanding of the data provided in the basic financial statements. These notes provide information such as: (1) Summary of significant accounting policies; (2) Cash and cash equivalents and investments; (3) Restricted assets; (4) Connection fees and assessments receivable; (5) Capital Assets; (6) Long-term debt; (7) Interest rate swaps; (8) Defined benefit pension plan; (9) Retirement plan; (10) Implicit Post-Employment Health Insurance Subsidy; (11) Risk Management; (12) Commitments and contingencies; and (13) Related party transaction. The Notes to the Financial Statement are on pages 15-43.
- The Required Supplementary Information is not a part of the basic financial statements, but is required to be presented in accordance with generally accepted accounting standards. The Required Supplementary Information presents information on the District's funding progress for its Other Post-Employment Benefits and required pension information.
- The Other Supplementary Information presents statistical information that may be useful when considering the financial statements taken as a whole.

These statements are presented in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and therefore, are presented on a net position basis. The use of the net position presentation (including Net investment in capital assets, Restricted and Unrestricted Net Position) alleviates the pre-Statement No. 34 use of contributed capital and retained earnings. Additionally, the operating statement, the "Statement of Revenues, Expenses, and Changes in Net Position," uses a clean surplus approach which results in contributions being reflected on the face of this statement in arriving at the change in net position.

The following table reflects the condensed Summary of Net Position compared to the prior two years.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 23,582,888	\$ 22,143,659	\$ 19,437,026
Capital assets	<u>91,822,485</u>	<u>93,710,133</u>	<u>96,156,055</u>
Total assets	<u>115,405,373</u>	<u>115,853,792</u>	<u>115,593,081</u>
Deferred outflows of resources	<u>2,491,497</u>	<u>2,512,438</u>	<u>2,671,962</u>
Current liabilities	<u>3,566,316</u>	<u>4,068,991</u>	<u>4,070,890</u>
Long-term liabilities outstanding	<u>14,939,814</u>	<u>16,826,937</u>	<u>19,530,709</u>
Total liabilities	<u>18,506,130</u>	<u>20,895,928</u>	<u>23,601,599</u>
Deferred inflows of resources	<u>550,931</u>	<u>668,718</u>	<u>631,444</u>
Net position			
Net investment in capital assets	<u>82,690,202</u>	<u>81,517,984</u>	<u>80,969,842</u>
Restricted for:			
Renewal and replacement	<u>1,119,435</u>	<u>1,008,771</u>	<u>882,884</u>
Meter replacement	<u>303,811</u>	<u>273,693</u>	<u>239,312</u>
Unrestricted	<u>14,726,361</u>	<u>14,001,136</u>	<u>11,939,962</u>
Total net position	<u>\$ 98,839,809</u>	<u>\$ 96,801,584</u>	<u>\$ 94,032,000</u>

For more detailed information see the Statement of Net Position (page 11)

NORMAL IMPACTS

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities - which will impact (increase/decrease) current assets and unrestricted net position presentation.

Borrowing for Capital - which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital - which will reduce current assets and increase capital assets. There is a second impact, an increase in net invested in capital assets and an increase in related net debt which will not change the net investment in capital assets.

Spending of Nonborrowed Current Assets on New Capital - which will: (a) reduce current assets and increase capital assets, and (b) will reduce unrestricted net position and increase net investment in capital assets.

Principal Payment on Debt - which will: (a) reduce current assets, and (b) reduce long-term debt and reduce unrestricted net position and increase net investment in capital assets.

Reduction of Capital Assets through Depreciation - which will reduce capital assets and net investment in capital assets.

CURRENT YEAR IMPACTS (see page 6 Table 1)

Net position for 2020 increased by \$2.0 million, or 2.1% from fiscal year 2019. Capital assets include capital assets in service, construction in progress and accumulated depreciation. Capital assets in service decreased \$2.6 million, or 1.6%. Construction in progress decreased by \$25 thousand. Accumulated depreciation increased by \$4.4 million, due to depreciation expense. This all resulted in the net decrease in capital assets of \$1.9 million.

The noncurrent liabilities decreased by \$2.2 million, or 11.3% over the fiscal year 2019 due to payments made on long-term debt. No additional debt was issued in 2020.

PREVIOUS YEAR IMPACTS

Net position for 2019 increased by \$2.8 million, or 3.0% from fiscal year 2018. Capital assets include capital assets in service, construction in progress and accumulated depreciation. Capital assets in service decreased \$405 thousand, or .2%. Construction in progress increased by \$1.2 million because of new capital projects. Accumulated depreciation increased by \$3.2 million, which includes a \$4.6 million increase for depreciation expense and a \$1.3 million decrease for disposals. This all resulted in the net decrease in capital assets of \$2.4 million.

The noncurrent liabilities decreased by \$2.7 million, or 14.0% over fiscal year 2018 due to payments made on long-term debt and a reduction of derivative instruments. No additional debt was issued in 2019.

SUMMARY OF CHANGES IN NET POSITION

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 17,501,446	\$ 16,457,153	\$ 15,470,200
Nonoperating revenues	783,722	552,740	(24,223)
Total revenue	<u>18,285,168</u>	<u>17,009,893</u>	<u>15,445,977</u>
Salaries	7,034,984	6,815,612	6,428,513
Utilities	1,014,643	1,003,166	1,063,955
Contractual services	2,181,719	1,968,742	1,924,763
Repair and maintenance	2,023,908	2,139,275	2,095,121
Depreciation	4,607,386	4,563,889	4,492,287
Total operating expenses	<u>16,862,640</u>	<u>16,490,684</u>	<u>16,004,639</u>
Interest expense	474,186	623,004	744,120
Total expenses	<u>17,336,826</u>	<u>17,113,688</u>	<u>16,748,759</u>
Loss before capital contributions	<u>948,342</u>	<u>(103,795)</u>	<u>(1,302,782)</u>
Capital contributions	<u>1,089,885</u>	<u>2,873,379</u>	<u>2,369,073</u>
Change in net position	<u>2,038,227</u>	<u>2,769,584</u>	<u>1,066,291</u>
Beginning net position	<u>96,801,584</u>	<u>94,032,000</u>	<u>92,965,709</u>
Ending net position	<u>\$ 98,839,811</u>	<u>\$ 96,801,584</u>	<u>\$ 94,032,000</u>

NORMAL IMPACTS

There are five basic impacts on revenues and expenses as reflected below.

Revenues:

Economic Condition - which can reflect a declining, stable, or growing economic environment and has a substantial impact on revenues as well as public spending habits for building permits, user fees, and volumes of consumption.

Increase/Decrease in Approved Rates - the Board of Supervisors has the authority to impose and periodically increase/decrease water and wastewater rates.

Market Impacts on Investment Income - Englewood Water District's investment portfolio is managed using short-term investments and the market condition may cause investment income to fluctuate.

Expenses:

Introduction of New Programs - individual programs may be added or deleted to meet changing community needs such as increasing the capacity in the wastewater treatment plant to accommodate new connections to the wastewater system.

Inflation - while overall inflation appears to be reasonably modest, Englewood Water District is a major consumer of certain commodities such as purchased power. Some functions may experience unusual commodity specific increases.

CURRENT YEAR IMPACTS (see page 7 Table 2)

Revenue:

Water revenues increased \$565 thousand, or 7.5% from fiscal year 2019 to 2020. Wastewater revenues increased \$510 thousand, or 5.9% from 2019 to 2020. The increase in water and wastewater revenues is attributable to an increase of 4.0% in both usage and base rates at the beginning of the fiscal year. Total revenue includes water, wastewater, and other revenues and increased \$1 million, or 6.3% from fiscal year 2019 to 2020.

The District's investment earnings increased \$59 thousand from fiscal year 2019 to 2020. Assessment interest decreased \$35 thousand, or 20.4%. This is a result of the reduction in receivables due to payoffs.

Capital contributions decreased \$1.8 million from fiscal year 2019 to 2020. This is because area V9C was completed during fiscal year 2019 and no areas were constructed during fiscal year 2020.

Expenses:

Total operating expenses including depreciation for 2020 were \$16.9 million, a 2.3% increase from fiscal year 2019. Depreciation expense accounted for \$4.6 million of operating expenses. Excluding depreciation, operating expenses were \$12.2 million, an increase of \$328 thousand or 2.8% from fiscal year 2019 to 2020. Total expenses including depreciation and interest were \$17.3 million, an increase from fiscal year 2019 to 2020 of \$223 thousand or 1.3%.

PRIOR YEAR IMPACTS

Revenue:

Water revenues increased \$507 thousand, or 7.2% from fiscal year 2018 to 2019. Wastewater revenues increased \$437 thousand, or 5.3% from 2018 to 2019. The increase in water and wastewater revenues is attributable to an increase of 4.0% in both usage and base rates during the year. Total revenue includes water, wastewater, and other revenues and increased \$1 million, or 6.7% from fiscal year 2018 to 2019.

The District's investment earnings increased \$550 thousand from fiscal year 2018 to 2019. Assessment interest decreased \$10 thousand, or 10.6%. This is a result to the reduction in receivables due to payoffs.

Capital contributions increased \$580 thousand from fiscal year 2018 to 2019. This is primarily due to area V9C being recorded in accounts receivable.

Expenses:

Total operating expenses including depreciation for 2019 were \$16.5 million, a 4.4% increase from fiscal year 2018. Depreciation expense accounted for \$4.6 million of operating expenses. Excluding depreciation, operating expenses were \$12 million, an increase of \$451 thousand or 3.9% from fiscal year 2018 to 2019. Total expenses including depreciation and interest were \$17.1 million, an increase from fiscal year 2018 to 2019 of \$354 thousand or 2.1%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of September 30, 2020, Englewood Water District's Water and Wastewater Systems had \$91.8 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$1.9 million, or 2.0% from the end of fiscal year 2019. As of September 30, 2019, Englewood Water District's Water and Wastewater Systems had \$93.7 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease \$2.4 million, or 2.5% from the end of fiscal year 2018.

	Capital Assets <i>(net of depreciation)</i>		
	2020	2019	2018
Land	\$ 4,867,034	\$ 4,857,034	\$ 4,857,034
Construction in progress	1,511,797	1,537,089	376,904
Buildings and plants	29,135,938	29,114,163	29,408,162
Well fields and raw water lines	2,512,488	2,649,808	2,787,128
Water distribution network	11,819,974	12,282,427	12,763,121
Water reclamation facility	41,943,843	43,265,156	45,301,187
Equipment	31,411	4,456	662,519
Total	\$ 91,822,485	\$ 93,710,133	\$ 96,156,055

For more detailed information, see Note 5 to the financial statements.

LONG-TERM LIABILITIES

As of September 30, 2020, Englewood Water District had \$17.6 million in long-term liabilities outstanding.

Outstanding Long-Term Liabilities

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Compensated absences	\$ 577,124	\$ 563,176	\$ 582,724
OPEB obligation	987,155	851,444	887,584
Derivative instruments	521,547	575,479	517,154
Revenue bonds and notes	5,033,123	6,046,656	7,021,619
Special assessment bonds	551,937	1,452,072	2,453,194
Promissory notes	3,696,028	4,803,215	5,868,185
Net pension liability	6,241,224	5,560,116	5,244,000
Total	<u>\$ 17,608,138</u>	<u>\$ 19,852,158</u>	<u>\$ 22,574,460</u>

To the best of management's knowledge, Englewood Water District is in compliance with the covenants of its bonds and notes agreements.

For more detailed information, see Note 6 to the financial statements.

ECONOMIC FACTORS

Englewood Water District's water connections have grown from 22,191 to 22,244 for fiscal year 2019 to 2020; wastewater connections have grown from 19,311 to 19,429.

The Board of Supervisors of Englewood Water District did not approve an increase in rates for fiscal year 2021.

FINANCIAL CONTACT

Englewood Water District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Englewood Water District's finances and to demonstrate accountability. If you have questions about the report or need additional financial information, contact:

Lisa Hawkins
201 Selma Avenue
Englewood, Florida 34223
(941) 460-1022

ENGLEWOOD WATER DISTRICT

**STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019**

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,623,396	\$ 3,805,789
Accounts receivable, net	1,900,943	1,935,239
Inventory	1,252,843	1,417,637
Prepays	148,897	27,547
Total current assets	7,926,079	7,186,212
Non-current assets		
Restricted investments	1,536,130	1,426,155
Investments	11,887,301	10,566,643
Connection fees and assessments receivable	2,220,221	2,964,649
Net pension asset	13,157	-
Capital assets		
Non-depreciable	6,378,831	6,394,123
Depreciable, net of accumulated depreciation	85,443,654	87,316,010
Total non-current assets	107,479,294	108,667,580
Total assets	115,405,373	115,853,792
DEFERRED OUTFLOW OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	521,547	575,479
Deferred charge on refunding of debt	148,804	195,794
Deferred amount on OPEB	90,477	64,080
Deferred amount on pensions	1,730,669	1,677,085
Total deferred outflows of resources	2,491,497	2,512,438
LIABILITIES		
Current liabilities		
Accounts payable	355,153	496,558
Accrued liabilities	429,956	403,521
Total current liabilities	785,109	900,079
Current liabilities payable from restricted assets		
Accrued interest	112,884	143,691
Current portion of bonds and notes payable	2,668,323	3,025,221
Total current liabilities payable from restricted assets	2,781,207	3,168,912
Non-current liabilities		
Compensated absences	577,124	563,176
Total OPEB liability	987,155	851,444
Derivative instruments - rate swap	521,547	575,479
Bonds and notes payable, net	6,612,764	9,276,722
Net pension liability	6,241,224	5,560,116
Total non-current liabilities	14,939,814	16,826,937
Total liabilities	18,506,130	20,895,928
DEFERRED INFLOW OF RESOURCES		
Deferred amount on pensions	550,931	668,718
NET POSITION		
Net investment in capital assets	82,690,202	81,517,984
Restricted for:		
Renewal and replacement	1,119,435	1,008,771
Meter replacement	303,811	273,693
Unrestricted	14,726,361	14,001,136
Total net position	\$ 98,839,809	\$ 96,801,584

The accompanying notes are an integral part of these financial statements.

ENGLEWOOD WATER DISTRICT

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating revenues		
Water services	\$ 8,082,928	\$ 7,517,671
Waste treatment	9,195,093	8,684,789
Miscellaneous	223,425	254,693
Total operating revenues	<u>17,501,446</u>	<u>16,457,153</u>
Operating expenses		
Water treatment plants	3,099,226	2,958,870
Water distribution	2,636,195	2,459,152
Waste treatment	2,970,408	3,120,618
Waste collection	4,462,659	4,392,208
Laboratory	261,487	327,074
General and administrative	3,432,667	3,232,762
Total operating expenses	<u>16,862,642</u>	<u>16,490,684</u>
Operating income (loss)	<u>638,804</u>	<u>(33,531)</u>
Non-operating revenues (expenses)		
Investment income	573,830	514,930
Special assessment interest	136,484	171,478
Interest expense	(474,186)	(623,004)
Other revenues	41,472	41,472
Gain (loss) on disposal of capital assets	31,936	(175,140)
Total non-operating expenses	<u>309,536</u>	<u>(70,264)</u>
Income (loss) before contributions	948,340	(103,795)
Capital contributions		
Cash	418,070	2,317,779
Noncash	671,815	555,600
Total contributions	<u>1,089,885</u>	<u>2,873,379</u>
Change in net position	2,038,225	2,769,584
Total net position, beginning of year	<u>96,801,584</u>	<u>94,032,000</u>
Total net position, end of year	<u>\$ 98,839,809</u>	<u>\$ 96,801,584</u>

The accompanying notes are an integral part of these financial statements.

ENGLEWOOD WATER DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 17,535,742	\$ 16,308,854
Payments to suppliers for goods and services	(5,318,233)	(5,400,953)
Payments to employees	(6,388,707)	(6,320,099)
Net cash provided by operating activities	<u>5,828,802</u>	<u>4,587,802</u>
Cash Flows From Non-Capital Financing Activities		
Other receipts	<u>41,472</u>	<u>41,472</u>
Net cash provided by non-capital financing activities	<u>41,472</u>	<u>41,472</u>
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	(2,198,016)	(1,768,575)
Proceeds from the sale of capital assets	182,029	31,068
Capital contributions	418,070	663,625
Collection of special assessment principal and interest	880,912	876,619
Principal payments on bonds and notes payable	(3,020,856)	(3,041,055)
Interest paid on long-term borrowings	(458,003)	(604,893)
Net cash used in capital and related financing activities	<u>(4,195,864)</u>	<u>(3,843,211)</u>
Cash Flows From Investing Activities		
Purchases of investments	(5,416,332)	(1,025,608)
Proceeds from sale of investments	3,985,699	-
Interest income on investments	573,830	598,449
Net cash used in investing activities	<u>(856,803)</u>	<u>(427,159)</u>
Net change in cash and cash equivalents	817,607	358,904
Cash and cash equivalents		
Beginning	<u>3,805,789</u>	<u>3,446,885</u>
Ending	<u>\$ 4,623,396</u>	<u>\$ 3,805,789</u>

(Continued)

ENGLEWOOD WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 638,804	\$ (33,531)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	4,607,386	4,563,889
Noncash OPEB and pension expense	605,894	487,851
Changes in assets and liabilities		
Net (increase) decrease in:		
Accounts receivable	34,296	(148,299)
Inventory	164,794	(292,007)
Other assets	(121,350)	(16,321)
Net increase (decrease) in:		
Accounts payable	(141,405)	18,558
Accrued liabilities and compensated absences	40,383	7,662
Net cash provided by operating activities	<u>\$ 5,828,802</u>	<u>\$ 4,587,802</u>
Noncash Investing, Capital, and Financing Activities		
Noncash capital contributions	\$ 671,815	\$ 555,600
Net unrealized gain	<u>263,571</u>	<u>235,999</u>
	<u>\$ 935,386</u>	<u>\$ 791,599</u>

The accompanying notes are an integral part of these financial statements.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Englewood Water District (the "District") is an independent special district of the state of Florida. The District was established by act of the Florida Legislature in 1959 and recreated and reenacted pursuant to Chapter 2004-439, *Laws of Florida*, on June 17, 2004. The District operates under an elected Board of Supervisors form of government and provides water and reuse services and waste treatment services in portions of Sarasota and Charlotte Counties.

Significant Accounting Policies

The following is a summary of the more significant accounting policies used in the preparation of these financial statements.

Reporting Entity

All significant activities on which the District exercises oversight responsibility have been included in the District's financial statements. The criteria regarding manifestation of oversight include designation of management, budgetary authority, responsibility for debt, control over properties, and scope of services.

Governmental Accounting Standards Board Number 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, as amended, requires the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 61, there is no potential component units required to be included in the District's financial statements.

Fund Accounting

The District uses enterprise fund accounting to report its activities.

Enterprise funds are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where it is decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus

The District is accounted for on an "economic resources" measurement focus. Accordingly, all assets and liabilities are included on the Statement of Net Position, and the reported fund equity (total reported assets less total reported liabilities) provides an indication of the economic net worth of the District. The operating statement reports increases (revenues) and decreases (expenses) in total economic net worth.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Budget

On September 1, 2019, and September 1, 2018, the Board of Supervisors adopted the annual operating budgets for fiscal years 2020 and 2019, respectively, for the District. These budgets cover the period October 1, 2019 through September 30, 2020, and October 1, 2018 through September 30, 2019, respectively, and include the estimated operating expenses for these periods and the means of financing them. Appropriations lapse at year-end. The legal level of control is the fund level. There were no supplemental appropriations during the year.

Cash and Investments

The District reports its investments at fair value in accordance with GASB Statement Number 72, *Fair Value Measurement and Application*. Fair valuations are based on quoted market prices.

The District considers highly liquid investments, including those held as restricted assets, with original maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

As of September 30, 2020 and 2019, all receivables shown represent valid claims against debtors. By legislative authority, all receivables become liens on property, thus no reserve has been established. No bad debts were charged to operations for the years ended September 30, 2020 and 2019.

The District bills for services on a monthly cycle basis and accrues for services rendered but unbilled based on estimated usage from the latest billing to the end of the year.

Inventory

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method.

Capital Assets

Capital assets are stated on the basis of cost, which includes ancillary charges necessary for asset acquisition. The threshold for capitalization is \$1,000. Assets contributed to the District are recorded at their acquisition value. Depreciation is computed by the straight-line method over estimated service lives.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District capitalizes major expenditures for additions and improvements. Expenditures for maintenance and repairs are charged to expenses as incurred. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to earnings.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and plants	7-25
Well fields and raw water lines	10-50
Water distribution network	10-45
Wastewater treatment plant	10-45
Equipment	3-10

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset.

Level 1 – Valuation is based on quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is based on model-based techniques that use significant inputs and assumptions not observable in the market. These unobservable inputs and assumptions reflect estimates of inputs and assumptions that market participants would use in pricing the assets and liabilities. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques. At September 30, 2020, the District held no such assets.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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) until then. The District reports deferred outflows for the deferred charges on refunded debt and interest rate swaps, as well as changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan (FRS), the Retiree Health Insurance Subsidy Program (HIS), and OPEB. A deferred outflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow on interest rate swaps results from the difference in the interest rates paid and received. This amount is deferred and fair value is adjusted over the term of the interest rate swap agreement. The amounts relating to the FRS, the HIS, and OPEB will be recognized as increases in pension and OPEB expense, as applicable, in future years.

In addition to liabilities, the statement of financial position reports 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 deferred inflows of resources reported in the District's Statement of Net Position represent the difference between expected and actual economic experience, the net difference between projected and actual earnings on FRS Pension investments, and changes in the proportion and differences between the District's contributions and proportionate share of contributions relating to the FRS and the HIS. These amounts will be recognized as reductions in pension expense in future years.

Pensions

In the government-wide statements of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the FRS defined benefit plan and the HIS and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The District's annual leave policy provides for the accumulation of annual leave with such leave being fully vested when earned. The liability for said accumulation has been accrued using current pay rates.

Unamortized Discounts

Discounts related to long-term debt are amortized over the life of the debt using the effective interest method. Long-term debt is shown net of unamortized discounts.

Net Position

Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets is intended to reflect the portion of net position which is associated with nonliquid, capital assets net of accumulated depreciation and net of outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized discounts, premiums, or deferred refunding losses.

Restricted assets are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or bond covenant) limitations on their use. When both restricted and unrestricted, resources are available, restricted resources will be used first for incurred expenses, and then unrestricted as needed.

Unrestricted assets consist of all other net position not included in the previous categories.

Operating Revenues and Expenses

Operating revenues and expenses for enterprise funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses represent revenue and expense items that are not incurred from the normal user activity of the District. This classification includes revenue received from capital grants and contributions, interest earned on bank accounts and investments, interest received from special assessments, interest paid on debt service, tower rental, and the gain or loss on the sale or disposal of District property.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Contributions

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Position when earned. Capital contributions include connection fees and developer contributed utility systems.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of certain assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with its policy, all District depositories are banks designated by the Florida Chief Financial Officer as qualified public depositories. Chapter 280 of the Florida Statutes, Florida Security for Public Deposits Act, provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Florida Chief Financial Officer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and nonnegotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Florida Chief Financial Officer eligible collateral at the pledging level required pursuant to Chapter 280. The Florida Security for Public Deposits Act has a procedure for the payment of losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the District is not exposed to custodial credit risk for its deposits.

At September 30, 2020, the District's deposits, except deposits held with the brokerage firm, were made in accordance with Chapter 280. Therefore, the District is not exposed to custodial credit risk at September 30, 2020, for these deposits.

Deposits with the brokerage firm totaling \$303,782 and \$184,309 at September 30, 2020 and 2019, respectively, were insured by the FDIC. Amounts in excess of FDIC limits are also included in Chapter 280 of the Florida Statutes.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments

In accordance with the Florida Statute 218.415(16) and its investment policy, the District may invest in:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in S.163.01.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in S. 280.02.
- d. Direct obligations of the United States Treasury.
- e. Federal agencies and instrumentalities.
- f. Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
- g. Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- h. Other investments authorized by resolution of the District.

As of September 30, 2020 and 2019, the District had the following investments and maturities (dollars in thousands):

September 30, 2020		Investment Maturities (in Years)					
Investment Type	Fair Value	Less Than 1	Between 1 - 2	Between 2 - 3	More Than 3	%	of Portfolio
Certificates of deposit	\$ 11,888,873	\$ 1,959,265	\$ 1,674,350	\$ 4,442,824	\$ 3,812,434		89%
Federal instrumentalities:							
Government backed bonds	1,065,275	-	267,469	-	797,806		8%
FNMA	469,283	-	469,283	-	-		3%
Total federal instrumentalities	1,534,558	-	736,752	-	797,806		11%
Total investments	\$ 13,423,431	\$ 1,959,265	\$ 2,411,102	\$ 4,442,824	\$ 4,610,240		
September 30, 2019		Investment Maturities (in Years)					
Investment Type	Fair Value	Less Than 1	Between 1 - 2	Between 2 - 3	More Than 3	%	of Portfolio
Certificates of deposit	\$ 10,452,611	\$ 3,545,479	\$ 1,573,679	\$ 1,484,770	\$ 3,848,683		78%
Federal instrumentalities:							
Government backed bonds	1,190,354	353,746	224,896	611,712	-		9%
FNMA	349,833	349,833	-	-	-		3%
Total federal instrumentalities	1,540,187	703,579	224,896	611,712	-		11%
Total investments	\$ 11,992,798	\$ 4,249,058	\$ 1,798,575	\$ 2,096,482	\$ 3,848,683		

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Certificates of Deposit and Federal Instrumentalities are valued using third-party pricing services and are deemed to be Level 2.

Credit Ratings	2020		2019	
	S&P	Moody's	S&P	Moody's
Certificates of deposit	N/A	N/A	N/A	N/A
Federal instrumentalities:				
Agency STRIPS	AAA	AAA	AAA	AAA
Government backed bonds	AAA	AAA	AAA	AAA
FNMA	AAA	AAA	AAA	AAA

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits its investment in Federal Instrumentalities and nonnegotiable certificates of deposit to maturities of up to five years.

Credit risk. The District does not have a credit risk policy for its investment in Federal Instrumentalities. Its credit risk policy for its investment in nonnegotiable certificates of deposit requires that they be insured under the provisions of FDIC. No individual certificate of deposit exceeds \$250,000.

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of credit risk. A maximum of 40% may be invested in individual Federal Instrumentalities. At September 30, 2020 and 2019, there were no investments in any one issuer that represented 5% or more of total investments.

All investments are held by BB&T Securities, LLC, counterparty to the transaction, in the District's name.

NOTE 3. RESTRICTED ASSETS

Assets were restricted for the following purposes at September 30, 2020 and 2019:

	2020	2019
Debt service	\$ 112,884	\$ 143,691
Renewal and replacement	1,119,435	1,008,771
Meter replacement	303,811	273,693
	<u>\$ 1,536,130</u>	<u>\$ 1,426,155</u>

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CONNECTION FEES AND ASSESSMENTS RECEIVABLE

The District has entered into notes receivable with customers that allow the customer to pay impact and tap fees, and sewer assessments over 15 to 18 years. These agreements, which aggregated \$2,114,881 and \$2,837,751 at September 30, 2020 and 2019, respectively, are placed on the tax rolls and include interest at 5.00% to 6.24%. This District also has Hardship agreements with some qualifying customers. These agreements aggregated \$105,340 and \$126,898 at September 30, 2020 and 2019, respectively, and earn no interest.

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,857,034	\$ 10,000	\$ -	\$ 4,867,034
Construction in progress	1,537,089	1,648,184	(1,673,476)	1,511,797
Total	6,394,123	1,658,184	(1,673,476)	6,378,831
Capital assets, being depreciated:				
Buildings and plants	38,962,087	1,149,283	-	40,111,370
Well fields and raw water lines	6,548,168	-	-	6,548,168
Water distribution network	26,366,136	240,489	-	26,606,625
Wastewater treatment plant	84,227,564	893,774	-	85,121,338
Equipment	6,162,223	470,046	(178,440)	6,453,829
Total	162,266,178	2,753,592	(178,440)	164,841,330
Less accumulated depreciation for:				
Buildings and plants	(9,847,924)	(1,127,508)	-	(10,975,432)
Well fields and raw water lines	(3,898,360)	(137,320)	-	(4,035,680)
Water distribution network	(14,083,709)	(702,942)	-	(14,786,651)
Wastewater treatment plant	(40,962,408)	(2,215,087)	-	(43,177,495)
Equipment	(6,157,767)	(424,530)	159,879	(6,422,418)
Total	(74,950,168)	(4,607,387)	159,879	(79,397,676)
Total capital assets, being depreciated, net	87,316,010	(1,853,795)	(18,561)	85,443,654
Total capital assets, net	\$ 93,710,133	\$ (195,611)	\$ (1,692,037)	\$ 91,822,485

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets for the year ended September 30, 2019, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,857,034	\$ -	\$ -	\$ 4,857,034
Construction in progress	376,904	1,452,305	(292,120)	1,537,089
Total	<u>5,233,938</u>	<u>1,452,305</u>	<u>(292,120)</u>	<u>6,394,123</u>
Capital assets, being depreciated:				
Buildings and plants	39,406,195	365,614	(809,722)	38,962,087
Well fields and raw water lines	6,548,168	-	-	6,548,168
Water distribution network	26,619,050	182,132	(435,046)	26,366,136
Wastewater treatment plant	84,092,931	223,857	(89,224)	84,227,564
Equipment	6,003,565	392,387	(233,729)	6,162,223
Total	<u>162,669,909</u>	<u>1,163,990</u>	<u>(1,567,721)</u>	<u>162,266,178</u>
Less accumulated depreciation for:				
Buildings and plants	(9,998,033)	(554,881)	704,990	(9,847,924)
Well fields and raw water lines	(3,761,040)	(137,320)	-	(3,898,360)
Water distribution network	(13,855,929)	(630,258)	402,478	(14,083,709)
Wastewater treatment plant	(38,791,744)	(2,222,023)	51,359	(40,962,408)
Equipment	(5,341,046)	(1,019,407)	202,686	(6,157,767)
Total	<u>(71,747,792)</u>	<u>(4,563,889)</u>	<u>1,361,513</u>	<u>(74,950,168)</u>
Total capital assets, being depreciated, net	<u>90,922,117</u>	<u>(3,399,899)</u>	<u>(206,208)</u>	<u>87,316,010</u>
Total capital assets, net	<u>\$ 96,156,055</u>	<u>\$ (1,947,594)</u>	<u>\$ (498,328)</u>	<u>\$ 93,710,133</u>

Depreciation expense for the years ended September 30, 2020 and 2019, was \$4,607,387 and \$4,563,889, respectively.

Asset transfers may occur between asset categories. Such transfers are included in the increases/decreases columns and the related accumulated depreciation for the asset transfer is reported in the decrease column in the summary of changes in capital assets above.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Bonds and notes payable consisted of the following at September 30, 2020 and 2019:

Description	2020	2019
Revenue Bonds		
Series 2008 Utility System Refunding Revenue Bonds for \$9,996,440 (refinancing 1998 Utility System Refunding Revenue Bonds) with a pay-fixed interest rate at 3.73% (see Note 7), collateralized by a lien upon and pledge of the "Pledged Funds" as described in the Bond Resolution; matures in October 2023.	\$ 5,033,123	\$ 6,046,656
Utility System Revenue Bond, Series 2005 for \$3,048,735 (refinancing 1994 Utility System Revenue Bonds) with a pay-fixed interest rate at 4.06% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in October 2021.	484,255	711,710
Special Assessment Bonds with Governmental Commitment		
Series 2000A Wastewater Special Assessment Bonds for \$5,244,837 with interest at 5.24%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-4 project; matures in May 2020.	-	311,940
Series 2000B Wastewater Special Assessment Bonds for \$2,437,922 with interest at 5.24%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-5 project; matures in May 2020.	-	145,688
Series 2001A Wastewater Special Assessment and Revenue Bonds for \$6,200,000 with interest at 4.62%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-6 project; matures in September 2021.	551,937	994,444
Promissory Notes		
Series 2003A Promissory Note for \$8,350,000 (refinancing V-2 and V-3 Projects) with a pay-fixed interest rate at 4.27% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in December 2023.	1,891,431	2,421,697
Series 2004A Promissory Note for \$5,550,000 (refinancing VA, VB, and 1996D Projects) with a pay-fixed interest rate at 4.30% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in January 2024.	1,320,342	1,669,808
Total bonds and notes payable	<u>\$ 9,281,088</u>	<u>\$ 12,301,943</u>

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Annual Maturities

The principal and interest requirements to maturity for all outstanding bonds and notes as of September 30, 2020, are as follows:

Year Ending	Revenue Bonds and Notes			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,048,093	\$ 170,350	\$ 1,218,443	\$ 463,718	\$ 13,588	\$ 477,306
2022	1,092,880	129,923	1,222,803	88,219	3,040	91,259
2023	1,421,232	82,464	1,503,696	-	-	-
2024	1,470,918	27,852	1,498,770	-	-	-
	<u>\$ 5,033,123</u>	<u>\$ 410,589</u>	<u>\$ 5,443,712</u>	<u>\$ 551,937</u>	<u>\$ 16,628</u>	<u>\$ 568,565</u>

Year Ending	Promissory Notes			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,156,512	\$ 137,676	\$ 1,294,188	\$ 2,668,323	\$ 321,614	\$ 2,989,937
2022	1,206,744	87,091	1,293,835	2,387,843	220,054	2,607,897
2023	1,002,365	39,550	1,041,915	2,423,597	122,014	2,545,611
2024	330,407	3,429	333,836	1,801,325	31,281	1,832,606
	<u>\$ 3,696,028</u>	<u>\$ 267,746</u>	<u>\$ 3,963,774</u>	<u>\$ 9,281,088</u>	<u>\$ 694,963</u>	<u>\$ 9,976,051</u>

Debt service requirements for the variable rate debt with pay-fixed swap agreements are based on the pay-fixed amortization schedule.

Covenants

The bond and note agreements include various covenants, including rate and liquidity covenants. The District must maintain rate coverage of at least 110% of the annual debt service payable. The District must also maintain \$7,500,000 in unencumbered and unrestricted cash, cash equivalents, and investments. Management believes it has complied with the covenants of the District's bond and note agreements.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term debt for the years ended September 30, 2020 and 2019, (dollars in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
September 30, 2020					
Revenue bonds and notes	\$ 6,046,656	\$ -	\$ (1,013,533)	\$ 5,033,123	\$ 1,048,093
Special assessment bonds	1,452,072	-	(900,135)	551,937	463,718
Promissory notes	4,803,215	-	(1,107,187)	3,696,028	1,156,512
Net bonds and notes payable	12,301,943	-	(3,020,855)	9,281,088	2,668,323
Compensated absences	563,176	370,189	(356,241)	577,124	-
Derivative instruments	575,479	-	(53,932)	521,547	-
Total long-term debt	\$ 13,440,598	\$ 370,189	\$ (3,431,028)	\$ 10,379,759	\$ 2,668,323
September 30, 2019					
Revenue bonds and notes	\$ 7,021,619	\$ -	\$ (974,963)	\$ 6,046,656	\$ 974,963
Special assessment bonds	2,453,194	-	(1,001,122)	1,452,072	1,001,122
Promissory notes	5,868,185	-	(1,064,970)	4,803,215	1,065
Net bonds and notes payable	15,342,998	-	(3,041,055)	12,301,943	1,977,150
Compensated absences	582,724	15,287	(34,835)	563,176	-
Derivative instruments	517,154	58,325	-	575,479	-
Total long-term debt	\$ 16,442,876	\$ 73,612	\$ (3,075,890)	\$ 13,440,598	\$ 1,977,150

The District defeased its \$5,000,000, 1979 Series Revenue Bonds in 1994, by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying Statements of Net Position. The outstanding principal of the defeased bonds was \$282,000 and \$551,000, at September 30, 2020 and 2019, respectively.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTEREST RATE SWAPS

In order to protect against the potential of rising interest rates, the District has entered into pay-fixed, receive-variable interest rate swap agreements. The intention of the swaps is to effectively change the District's variable interest rate on the associated loans to effective fixed rates as indicated in the tables below.

The terms, including the fair values and credit rating of the counterparty of the outstanding swaps as of September 30, 2020 and 2019, are listed in the following tables. The loans and their associated swap agreements were issued at the same time and mature on the same dates. The notional value of the swaps declines as the associated loan balance declines.

Fiscal Year 2020

<u>Original Notional Amounts</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value at September 30, 2020</u>	<u>Swap Termination</u>	<u>Counterparty Credit Rating</u>
\$ 8,350,000	12/15/2003	4.27%	64% of LIBOR + .89%	\$ (107,653)	12/15/2023	A-/A
5,550,000	1/15/2004	4.30%	64% of LIBOR + .89%	(79,390)	1/15/2024	A-/A
3,048,735	2/22/2005	4.06%	64% of LIBOR + .89%	(13,615)	10/1/2021	A-/A
9,996,440	10/1/2008	3.73%	63.7% of LIBOR + .70%	(320,889)	10/1/2023	A-/A
<u>\$ 26,945,175</u>				<u>\$ (521,547)</u>		

Fiscal Year 2019

<u>Original Notional Amounts</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Value at September 30, 2019</u>	<u>Swap Termination</u>	<u>Counterparty Credit Rating</u>
\$ 8,350,000	12/15/2003	4.27%	64% of LIBOR + .89%	\$ (131,711)	12/15/2023	A-/A
5,550,000	1/15/2004	4.30%	64% of LIBOR + .89%	(95,382)	1/15/2024	A-/A
3,048,735	2/22/2005	4.06%	64% of LIBOR + .89%	(20,467)	10/1/2021	A-/A
9,996,440	10/1/2008	3.73%	63.7% of LIBOR + .70%	(327,919)	10/1/2023	A-/A
<u>\$ 26,945,175</u>				<u>\$ (575,479)</u>		

Each of the swap agreements has been determined to be an effective hedge. As such, the change in fair value is reported as a deferred outflow on the Statement of Net Position. The combined fair values of the four swap agreements outstanding at September 30, 2020 and 2019, decreased in value by \$53,932 and \$58,325, during the years ended September 30, 2020 and 2019, respectively.

Interest rate risk – the District is exposed to interest rate risk on its pay-fixed receive-variable interest rate swaps. When LIBOR decreases, the District received a lower payout from the swaps, and its net payments on the swaps increase.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTEREST RATE SWAPS (CONTINUED)

The swaps are associated with the following obligations at September 30, 2020:

Title	Original Amount	Balance at September 30, 2020	Maturity Date
Promissory Note, Series 2003A (V-2 and V-3 Projects)	\$ 8,350,000	\$ 1,891,431	12/15/2023
Promissory Note, Series 2004A (V-1 Project)	5,550,000	1,320,342	1/15/2024
Promissory Note, Series 2005 (Utility System Revenue Bond, Series 2005)	3,048,735	484,255	10/1/2021
Utility System Revenue Bond, Series 2008	9,996,440	5,033,123	10/1/2023
Total	\$ 26,945,175	\$ 8,729,151	

Because the variable interest rates have remained lower than the fixed rates, the swaps had negative fair values at September 30, 2020. The negative fair values may be countered by reductions in total interest payments required under the variable rate bonds, creating lower synthetic interest rates. Because the coupons on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair value of swaps is estimated using a pricing service and the values are provided to the District by the counterparty financial institution known to be high volume participants in this market and are deemed to be level 2.

As of September 30, 2020, the District was not exposed to credit risk because the swaps had a negative fair value. The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swaps have a negative value, the District would be liable to the counterparty for a payment equal to the swaps' fair value.

As of September 30, 2020, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

September 30,	Variable Rate Promissory Notes			Interest Rate Swaps	Total
	Principal	Interest	Total	Interest	
2021	\$ 2,204,605	\$ 308,026	\$ 2,512,631	\$ 66,678	\$ 2,579,309
2022	2,299,624	217,014	2,516,638	48,110	2,564,748
2023	2,423,596	122,015	2,545,611	27,037	2,572,648
2024	1,801,326	31,282	1,832,608	6,777	1,839,385
Total	\$ 8,729,151	\$ 678,337	\$ 9,407,488	\$ 148,602	\$ 9,556,090

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS

The Employees' Pension Plan

Plan Administration

On February 1, 1999, the District implemented a defined benefit pension plan (the Englewood Water District Employees' Pension Plan) covering substantially all the District's regular employees, except for the District Administrator. The District, in accordance with the District's enabling act and state statutes, established the single-employer plan. Effective March 31, 2003, the District closed the Plan. The District remains obligated to fund the closed Plan for eligible inactive members. The net pension (asset) liability for this Plan at September 30, 2020 and 2019, was (\$13,157) and \$39,571, respectively.

Plan Membership

At October 1, 2019, the date of the most recent actuarial valuation, the plan included the following:

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	1

Benefits Provided

The Plan provides retirement, termination, disability, and death benefits.

Contributions

Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided for in Chapter 112, *Florida Statutes*. The District's contributions to the Plan for the years ended September 30, 2020 and 2019, were \$72,000 and \$91,440, respectively.

Net Pension Liability

The measurement date is September 30, 2019.

The measurement period for the pension expense was October 1, 2018 to September 30, 2019.

The reporting period is October 1, 2019 through September 30, 2020.

The components of the net pension liability of the District for its September 30, 2020 and 2019, financial statements, respectively, were as follows:

	2020	2019
Total Pension Liability	\$ 627,534	\$ 634,173
Plan Fiduciary Net Position	640,691	594,602
District's Net Pension Liability (Asset)	<u>\$ (13,157)</u>	<u>\$ 39,571</u>

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The Employees' Pension Plan (Continued)

For the years ended September 30, 2020 and 2019, the District recognized pension expense of \$25,152 and \$32,761, for the Plan. At September 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

September 30, 2020	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual earnings on pension plan investments	\$ -	\$ 2,028
City pension plan contributions subsequent to the measurement date	<u>72,000</u>	<u>-</u>
Total	<u>\$ 72,000</u>	<u>\$ 2,028</u>
September 30, 2019	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual earnings on pension plan investments	\$ -	\$ 15,587
City pension plan contributions subsequent to the measurement date	<u>91,440</u>	<u>-</u>
Total	<u>\$ 91,440</u>	<u>\$ 15,587</u>

The deferred outflows of resources related to the Pension Plan, totaling \$72,000 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 plans will be recognized in pension expense as follows:

Year ended September 30,	
2021	\$ (5,526)
2022	(2,487)
2023	1,921
2024	<u>4,064</u>
Total	<u>\$ (2,028)</u>

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The Employees' Pension Plan (Continued)

Actuarial Assumptions

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2019, using the following assumptions:

Inflation	3.00%
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 50% Annuitant White Collar/50% Annuitant Blue Collar, Scale BB.

The above assumption rates were mandated by Chapter 2015-157, *Laws of Florida*. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2016, FRS valuation report for other than special risk participants. We feel this assumption sufficiently accommodates future mortality improvements

The date of the most recent experience study for which significant assumptions are based upon is not available.

The long-term expected rate of return on pension plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2020, the inflation rate assumption of the investment advisor was 3.00%.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	52%	5.4%
International equity	14%	5.5%
Fixed income	27%	1.3%
Real estate	6%	4.5%
Cash	1%	0.0%
Total	100%	

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The Employees' Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

The changes in the components of the net pension liability of the District for the fiscal years ended September 30, 2020 and 2019, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Reporting Period Ending September 30, 2019	\$ 634,173	\$ 594,602	\$ 39,571
Changes for the year:			
Interest	42,030	-	42,030
Differences between expected and actual experience	18,818	-	18,818
Contributions - employer	-	91,440	(91,440)
Net investment income	-	22,136	(22,136)
Benefit payments, including refunds of employee contributions	(67,487)	(67,487)	-
Administrative expense	-	-	-
Net changes	(6,639)	46,089	(52,728)
Reporting Period Ending September 30, 2020	\$ 627,534	\$ 640,691	\$ (13,157)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Reporting Period Ending September 30, 2018	\$ 647,802	\$ 573,520	\$ 74,282
Changes for the year:			
Interest	43,051	-	43,051
Differences between expected and actual experience	8,906	-	8,906
Contributions - employer	-	55,000	(55,000)
Net investment income	-	49,858	(49,858)
Benefit payments, including refunds of employee contributions	(65,586)	(65,586)	-
Administrative expense	-	(18,190)	18,190
Net changes	(13,629)	21,082	(34,711)
Reporting Period Ending September 30, 2019	\$ 634,173	\$ 594,602	\$ 39,571

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The Employees' Pension Plan (Continued)

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

The following presents the net pension liabilities of the District, calculated using the discount rates noted above, as well as what the District's net pension liabilities 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, for the fiscal years ended September 30, 2020 and 2019:

September 30, 2020	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 30,993	\$ (13,157)	\$ (52,303)
September 30, 2019	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 85,857	\$ 39,571	\$ (1,331)

The Florida Retirement System Plan

Effective May 1, 2003, all current and future employees of the District are included in the Florida Retirement System (FRS), a cost sharing, multi-employer, public employee retirement system.

Defined Benefit Plans

The District participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, *Florida Statutes*, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The FRS is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, *Florida Statutes*. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, *Florida Statutes*, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, *Florida Statutes*. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, *Florida Statutes*.

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer's contribution rates as of September 30, 2020, were as follows:

	FRS	HIS
Regular class	6.75%	1.66%
Special risk class	23.76%	1.66%
Senior management service class	23.69%	1.66%
Elected officials	47.10%	1.66%
DROP from FRS	12.94%	1.66%

The employer's contributions for the year ended September 30, 2020, were \$337,842 to the FRS Pension Plan and \$87,327 to the HIS Program.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2020, the District reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2020. The District's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

	FRS	HIS
Net pension liability	\$ 4,395,712	\$ 1,845,512
Proportion at:		
Current measurement date	0.0101%	0.0151%
Prior measurement date	0.0109%	0.0158%
Pension expense (benefit)	\$ 829,861	\$ 138,835

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions (FRS) from the following sources:

Description	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 168,233	\$ -	\$ 222,419	\$ 2,327
Change of assumptions	795,764	-	963,142	-
Net difference between projected and actual earnings on pension plan investments	261,725	-	-	207,465
Changes in proportion and differences between District contributions and proportionate share of contributions	-	322,520	671	226,242
District contributions subsequent to the measurement date	88,900	-	88,033	-
Total	\$ 1,314,622	\$ 322,520	\$ 1,274,265	\$ 436,034

At September 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions (HIS) from the following sources:

Description	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,493	\$ 1,424	\$ 21,506	\$ 2,168
Change of assumptions	198,445	107,309	205,021	144,716
Net difference between projected and actual earnings on pension plan investments	1,473	-	1,143	-
Changes in proportion and differences between District contributions and proportionate share of contributions	45,676	117,650	60,977	70,213
District contributions subsequent to the measurement date	22,960	-	22,733	-
Total	\$ 344,047	\$ 226,383	\$ 311,380	\$ 217,097

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2021. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal year ending September 30:	FRS	HIS
2021	\$ 186,128	\$ 26,210
2022	289,883	19,442
2023	246,400	5,313
2024	147,299	12,336
2025	33,492	16,798
Thereafter	-	14,605
	\$ 903,202	\$ 94,704

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2020. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2020. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2020. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.80%	N/A
Discount rate	6.80%	2.21%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2020:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 6.90% to 6.80%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 3.50% to 2.21%.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.2%	2.2%	1.2%
Fixed income	19.0%	3.0%	2.9%	3.5%
Global equity	54.2%	8.0%	6.7%	17.1%
Real estate (property)	10.3%	6.4%	5.8%	11.7%
Private equity	11.1%	10.8%	8.1%	25.7%
Strategic investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			
Assumed inflation - mean			2.4%	1.7%

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.80%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.21% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following table demonstrates the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS			HIS		
	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
District's proportionate share of the net pension liability	\$ 7,019,213	\$ 4,395,712	\$ 2,204,552	\$ 2,133,330	\$ 1,845,512	\$ 1,609,934

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the state's separately issued financial reports.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Applicable totals for all of the District's defined benefit plans are reflected below:

	Employees Pension Plan	Florida Retirement System	Health Insurance Subsidy	Totals
Net pension (asset) liability	\$ (13,157)	4,395,712	1,845,512	6,228,067
Deferred outflows	72,000	1,314,622	344,047	1,730,669
Deferred inflows	2,028	322,520	226,383	550,931
Pension expense	25,152	829,861	138,835	993,848

NOTE 9. DEFINED CONTRIBUTION PLAN

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (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 members' 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 FRS defined benefit 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 plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of plan members. Allocations to investment member's accounts during the 2014-2015 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class. The percentages are the same as those listed previously to the FRS Plan.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS 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 the 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 June 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.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED CONTRIBUTION PLAN (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 FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS 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 \$16,953 and \$47,000, for the years ended September 30, 2020 and 2019, respectively.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

Employees Covered by Benefit Terms

At September 30, 2019, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	5
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	
Active Plan Members	74
	<u>79</u>

Benefits Provided

Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active Medical and Dental premiums. The District covers the cost of a base Life Insurance policy for retirees. Additionally, the District provides a \$500 monthly explicit subsidy until age 65 for employees who retire with at least 30 years of service. Any additional coverage is paid by the retiree.

The District's Total OPEB Liability was measured as of September 30, 2019.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	2.50%
Discount rate	3.58%
Initial trend rate	7.50%
Ultimate trend rate	4.00%
Years to ultimate	55

For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA.

Discount Rate

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 3.58%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

OPEB Expense

For the years ended September 30, 2020 and 2019, the District recognized OPEB Expense of \$198,023 and \$23,795, respectively.

Changes in the Total OPEB Liability

	<u>2020</u>	<u>2019</u>
Total OPEB liability, beginning of year	\$ 851,444	\$ 887,584
Changes for the year:		
Service cost	30,573	32,421
Interest on the total OPEB liability	35,614	32,483
Changes in assumptions and other inputs	130,136	(45,309)
Benefit payments	(60,612)	(55,735)
Net changes	<u>135,711</u>	<u>(36,140)</u>
Total OPEB liability, end of year	<u>\$ 987,155</u>	<u>\$ 851,444</u>

Changes of assumptions reflect a change in the discount rate from 4.18% for the fiscal year ending September 30, 2019, to 3.58% for the fiscal year ending September 30, 2020.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

	1% Decrease	Current Discount Rate	1% Increase
	2.58%	3.58%	4.58%
Total OPEB liability	\$ 1,091,976	\$ 987,155	\$ 899,887

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

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	3.00% - 6.50%	4.00% - 7.50%	5.00% - 8.50%
Total OPEB liability	\$ 914,587	\$ 987,155	\$ 1,075,449

At September 30, 2020 and 2019, the District's reported Deferred Outflows of Resources related to OPEB were from the following sources:

	<u>2020</u>	<u>2019</u>
Benefits paid subsequent to the measurement date	<u>\$ 90,477</u>	<u>\$ 64,080</u>
Total	<u>\$ 90,477</u>	<u>\$ 64,080</u>

There were no deferred inflows of resources related to OPEB at September 30, 2020 and 2019. The deferred outflows of resources related to the total OPEB liability, totaling \$90,477 resulting from benefits paid subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the fiscal year ended September 30, 2021.

ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Insurance coverage for such losses is purchased from commercial insurance companies subject to maximum aggregates and deductibles. The financial impact of the District's risk management activities is reported in the accompanying financial statements. No accrual has been provided for claims and incidents not reported to insurers. All known claims have been reported to insurers.

There were no significant reductions in insurance coverage as compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12. COMMITMENTS AND CONTINGENCIES

The District has, by resolution of its Board, placed a charge for capital improvements on each new living unit within the District requesting service. As a result, contracts have been entered into obligating the District by agreement to provide water for certain numbers of units. The District has entered into contracts with various developers to purchase the distribution system of projects upon completion of certain requirements. These agreements call for varying payment, time, and release provisions.

At September 30, 2020, the District had in process various construction, consulting, and engineering contracts totaling \$2,099,421. Costs incurred on these contracts as of September 30, 2020, totaled \$1,481,081.

During March 2020, the World Health Organization declared the Coronavirus outbreak a global pandemic. Actions taken around the world to help mitigate the spread of the Coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The Coronavirus and actions taken to mitigate it have had, and are expected to continue to have an adverse impact on the local economies. The ultimate impact of the pandemic on the District's results of operations, financial position, and liquidity cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

ENGLEWOOD WATER DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OPEB LIABILITY AND RELATED RATIOS**

Measurement year ended September 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability				
Service cost	\$ 30,573	\$ 32,421	\$ 34,624	\$ 33,780
Interest	35,614	32,483	28,719	28,298
Differences between expected and actual experience	115,383	-	-	-
Changes of assumptions	14,753	(45,309)	(53,842)	-
Changes of benefit terms	-	-	-	-
Benefit payments	(60,612)	(55,735)	(51,251)	(47,127)
Net change in total OPEB liability	135,711	(36,140)	(41,750)	14,951
Total OPEB liability - beginning	851,444	887,584	929,334	914,383
Total OPEB liability - ending	\$ 987,155	\$ 851,444	\$ 887,584	\$ 929,334
Covered employee payroll (projected)	N/A	N/A	N/A	N/A
District's total OPEB liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Notes to the Schedule:

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

Fiscal year ending September 30, 2020	3.58%
Fiscal year ending September 30, 2019	4.18%
Fiscal year ending September 30, 2018	3.64%
Fiscal year ending September 30, 2017	3.06%
Fiscal year ending September 30, 2016	3.06%

ENGLEWOOD WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
FLORIDA RETIREMENT SYSTEM PENSION PLAN**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the FRS net pension liability	0.0101420%	0.0108887%	0.0116458%	0.0118664%	0.0121911%
District's proportionate share of the FRS net pension liability	\$ 4,395,712	\$ 3,749,923	\$ 3,508,000	\$ 3,510,000	\$ 3,078,000
District's covered payroll	\$ 5,245,976	\$ 5,292,465	\$ 5,359,000	\$ 5,201,000	\$ 4,847,000
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	83.79%	70.85%	65.46%	67.49%	63.50%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%
	<u>2015</u>	<u>2014</u>			
District's proportion of the FRS net pension liability	0.0127176%	0.0132134%			
District's proportionate share of the FRS net pension liability	\$ 1,643,000	\$ 806,000			
District's covered payroll	\$ 4,634,000	\$ 4,709,000			
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	35.46%	17.12%			
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	92.00%	96.09%			

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

ENGLEWOOD WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS -
FLORIDA RETIREMENT SYSTEM PENSION PLAN**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required FRS contribution	\$ 337,842	\$ 335,672	\$ 311,000	\$ 294,000	\$ 303,000
FRS contributions in relation to the contractually required FRS contribution	<u>337,842</u>	<u>335,672</u>	<u>311,000</u>	<u>294,000</u>	<u>303,000</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,274,087	\$ 5,274,964	\$ 5,319,000	\$ 5,295,000	\$ 4,965,000
FRS contributions as a percentage of covered payroll	6.41%	6.36%	5.85%	5.55%	6.10%
	<u>2015</u>	<u>2014</u>			
Contractually required FRS contribution	\$ 298,000	\$ 359,000			
FRS contributions in relation to the contractually required FRS contribution	<u>298,000</u>	<u>359,000</u>			
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Covered payroll	\$ 4,619,000	\$ 4,864,000			
FRS contributions as a percentage of covered payroll	6.45%	7.38%			

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.
The amounts presented for each fiscal year were determined as of 9/30.

ENGLEWOOD WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
HEALTH INSURANCE SUBSIDY PENSION PLAN**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the HIS net pension liability	0.0151150%	0.0158247%	0.0164064%	0.0163081%	0.0156319%
District's proportionate share of the HIS net pension liability	\$ 1,845,512	\$ 1,770,622	\$ 1,736,000	\$ 1,744,000	\$ 1,822,000
District's covered payroll	\$ 5,245,976	\$ 5,292,465	\$ 5,359,000	\$ 5,201,000	\$ 4,847,000
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.18%	33.46%	32.39%	33.53%	37.59%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%
	<u>2015</u>	<u>2014</u>			
District's proportion of the HIS net pension liability	0.0152737%	0.0158259%			
District's proportionate share of the HIS net pension liability	\$ 1,558,000	\$ 1,480,000			
District's covered payroll	\$ 4,634,000	\$ 4,709,000			
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.62%	31.43%			
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.50%	0.99%			

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

ENGLEWOOD WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS -
HEALTH INSURANCE SUBSIDY PENSION PLAN**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required HIS contribution	\$ 87,327	\$ 87,582	\$ 88,000	\$ 88,000	\$ 82,000
HIS contributions in relation to the contractually required HIS contribution	<u>87,327</u>	<u>87,582</u>	<u>88,000</u>	<u>88,000</u>	<u>82,000</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,274,087	\$ 5,274,964	\$ 5,319,000	\$ 5,295,000	\$ 4,965,000
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.65%	1.66%	1.65%
	<u>2015</u>	<u>2014</u>			
Contractually required HIS contribution	\$ 63,051	\$ 59,100			
HIS contributions in relation to the contractually required HIS contribution	<u>63,051</u>	<u>59,100</u>			
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Covered payroll	\$ 4,619,000	\$ 4,864,000			
HIS contributions as a percentage of covered payroll	1.37%	1.22%			

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.
The amounts presented for each fiscal year were determined as of 9/30.

ENGLEWOOD WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS-
 EMPLOYEES' PENSION PLAN

Reporting period ending	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020
Measurement date	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019
Total pension liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	43,974	42,629	41,906	44,268	43,051	42,030
Differences between expected and actual experience	-	10,921	(783)	3,408	8,906	18,818
Changes in assumptions	-	-	56,857	-	-	-
Benefit payments, including refunds of employee contributions	(62,536)	(63,849)	(63,913)	(64,552)	(65,586)	(67,487)
Net change in total pension liability	<u>(18,562)</u>	<u>(10,299)</u>	<u>34,067</u>	<u>(16,876)</u>	<u>(13,629)</u>	<u>(6,639)</u>
Total pension liability - beginning	<u>659,472</u>	<u>640,910</u>	<u>630,611</u>	<u>664,678</u>	<u>647,802</u>	<u>634,173</u>
Total pension liability - ending	<u>\$ 640,910</u>	<u>\$ 630,611</u>	<u>\$ 664,678</u>	<u>\$ 647,802</u>	<u>\$ 634,173</u>	<u>\$ 627,534</u>
Plan fiduciary net position						
Contributions - employer	\$ 39,900	\$ 17,530	\$ 14,652	\$ 72,718	\$ 55,000	\$ 91,440
Net investment income	45,628	(20,911)	49,783	58,089	49,858	22,136
Benefit payments, including refunds of employee contributions	(62,536)	(63,849)	(63,913)	(64,552)	(65,586)	(67,487)
Administrative expenses	(8,844)	(23,260)	(9,500)	(7,250)	(18,190)	-
Net change in plan fiduciary net position	<u>14,148</u>	<u>(90,490)</u>	<u>(8,978)</u>	<u>59,005</u>	<u>21,082</u>	<u>46,089</u>
Plan fiduciary net position - beginning	<u>599,835</u>	<u>613,983</u>	<u>523,493</u>	<u>514,515</u>	<u>573,520</u>	<u>594,602</u>
Plan fiduciary net position - ending	<u>\$ 613,983</u>	<u>\$ 523,493</u>	<u>\$ 514,515</u>	<u>\$ 573,520</u>	<u>\$ 594,602</u>	<u>\$ 640,691</u>
District's net pension liability (asset) - ending	<u>\$ 26,927</u>	<u>\$ 107,118</u>	<u>\$ 150,163</u>	<u>\$ 74,282</u>	<u>\$ 39,571</u>	<u>\$ (13,157)</u>
Plan fiduciary net position as a percentage of the total pension liability	95.80%	83.01%	77.41%	88.53%	93.76%	102.10%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
District's net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes to the Schedule:

For the 9/30/16 measurement date, as a result of Chapter 2015-157, *Laws of Florida*, the assumed rates of mortality were changed to the assumption used by the Florida Retirement System.

The schedule will present 10 years of information once it is accumulated.

ENGLEWOOD WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS -
EMPLOYEES' PENSION PLAN**

	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u>
Actuarially determined contribution	\$ 8,213	\$ 5,114	\$ 14,652	\$ 21,119	\$ 11,377	\$ 7,872	\$ -
Contributions in relation to the actuarially determined contribution	39,900	17,530	14,652	72,718	55,000	91,440	72,000
Contribution deficiency (excess)	<u>\$ (31,687)</u>	<u>\$ (12,416)</u>	<u>\$ -</u>	<u>\$ (51,599)</u>	<u>\$ (43,623)</u>	<u>\$ (83,568)</u>	<u>\$ (72,000)</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to the Schedule:

Valuation Date October 1, 2019

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality: Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.
 Male: RP2000 Generational, 50% Annuitant White Collar/50% Annuitant Blue Collar, Scale BB.

The above assumption rates were mandated by Chapter 2015-157, *Laws of Florida*. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2016, FRS valuation report for non-special risk lives.

Interest Rate: 7.00% per year, compounded annually, net of investment-related expenses.

Post-Retirement COLA 3.0% per year.

Funding method: Level Dollar Amortization of the Unfunded Actuarial Accrued Liability, over a period which is lesser of ten years and the average expected future lifetime of the Plan's Service Retirees.

Assets: Fair Market Value as of the valuation date.

The schedule will present 10 years of information once it is accumulated.

ENGLEWOOD WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION INVESTMENT RETURNS-
EMPLOYEES' PENSION PLAN

	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u>
Annual money-weighted rate of return, net of investment expenses	7.77%	-3.58%	9.87%	10.74%	8.43%	3.41%	5.76%

Notes to the Schedules:

The schedules will present 10 years of information once it is accumulated.

SUPPLEMENTARY INFORMATION

ENGLEWOOD WATER DISTRICT

**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019		2020	2019
Well Fields and Water Treatment Plants:			Waste Collection:		
Personal services	\$ 1,132,606	\$ 1,149,700	Personal services	\$ 1,148,917	\$ 1,056,943
Chemicals	217,591	180,369	Supplies and materials	12,055	14,375
Utilities	442,055	441,242	Utilities	245,146	230,494
Depreciation and amortization	644,127	608,524	Depreciation and amortization	2,065,038	2,076,374
Repairs and maintenance	378,522	379,350	Repairs and maintenance	788,095	795,873
Other	284,325	199,685	Other	203,408	218,149
Total	\$ 3,099,226	\$ 2,958,870	Total	\$ 4,462,659	\$ 4,392,208
Water Distribution:			Laboratory:		
Personal services	\$ 955,077	\$ 906,228	Personal services	\$ 177,251	\$ 226,708
Supplies and materials	161,808	10,006	Supplies and materials	37,393	39,208
Depreciation and amortization	673,017	665,919	Depreciation and amortization	6,716	6,333
Repairs and maintenance	662,981	686,249	Repairs and maintenance	4,659	5,169
Other	183,312	190,750	Other	35,468	49,656
Total	\$ 2,636,195	\$ 2,459,152	Total	\$ 261,487	\$ 327,074
Waste Treatment:			General and Administrative:		
Personal services	\$ 1,105,569	\$ 1,165,991	Personal services	\$ 2,515,564	\$ 2,310,042
Supplies and materials	109,839	112,187	Legal and professional services	227,083	238,250
Utilities	312,617	316,553	Supplies and materials	63,078	55,830
Sludge hauling	109,738	93,730	Utilities	14,825	14,875
Depreciation and amortization	995,876	1,007,272	Depreciation and amortization	222,612	199,467
Repairs and maintenance	149,159	243,145	Repairs and maintenance	40,492	29,488
Other	187,610	181,740	Other	349,013	384,810
Total	\$ 2,970,408	\$ 3,120,618	Total	\$ 3,432,667	\$ 3,232,762

OTHER INFORMATION

ENGLEWOOD WATER DISTRICT

**SCHEDULE OF MONTHLY WATER AND WASTEWATER RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)**

Monthly Water Rates

<u>Customer Classification</u>	<u>Number of Connections</u>	<u>Monthly Service Charge</u>	<u>Usage Charge (per 1,000 gallons)*</u>	
Single Family	16,546	\$16.89 per connection	0 - 6,000	\$ 2.17
Multi-Family	2,823	\$16.89 per connection	6,001 - 8,000	\$ 2.90
Commercial	2,875	\$18.27 per connection	8,001 - 12,000	\$ 5.78
			12,001 - 18,000	\$ 9.64
			18,001 and above	\$ 15.06

* Water usage charges are the same for all customers.

AGRF - Water \$ 329.00

Monthly Wastewater Rates

<u>Customer Classification</u>	<u>Number of Connections</u>	<u>Monthly Service Charge</u>	<u>Usage Charge (per 1,000 gallons)</u>
Single Family	14,767	\$26.58 per connection	All Usage is \$3.25 per 1,000 gallons
Multi-Family	2,744	\$26.58 per connection	
Commercial	1,918	\$26.58 per connection	

Capital Capacity Charges

Water Fee per ERC	Plant Capacity/Transmission System	\$ 1,751.00
	Distribution System	\$ 1,200.00

Wastewater Fee per ERC	Plant Capacity/Transmission System	\$ 2,754.00
	Collection System	\$ 5,817.00

AGRF - Wastewater \$ 580.00

ENGLEWOOD WATER DISTRICT

**SCHEDULE OF MONTHLY WATER AND WASTEWATER RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)**

Monthly Water Rates

<u>Customer Classification</u>	<u>Number of Connections</u>	<u>Monthly Service Charge</u>	<u>Usage Charge (per 1,000 gallons)*</u>	
Single Family	16,454	\$17.57 per connection	0 - 6,000	\$ 2.09
Multi-Family	2,825	\$17.57 per connection	6,001 - 8,000	\$ 2.79
Commercial	2,912	\$17.57 per connection	8,001 - 12,000	\$ 5.56
			12,001 - 18,000	\$ 9.27
			18,001 and above	\$ 14.48

* Water usage charges are the same for all customers.

AGRF - Water \$ 329.00

Monthly Wastewater Rates

<u>Customer Classification</u>	<u>Number of Connections</u>	<u>Monthly Service Charge</u>	<u>Usage Charge (per 1,000 gallons)</u>
Single Family	14,651	\$25.56 per connection	All Usage is \$3.38 per 1,000 gallons
Multi-Family	2,746	\$25.56 per connection	
Commercial	1,914	\$25.56 per connection	

Capital Capacity Charges

Water Fee per ERC	Plant Capacity/Transmission System	\$ 1,751.00
	Distribution System	\$ 1,200.00
Wastewater Fee per ERC	Plant Capacity/Transmission System	\$ 2,754.00
	Collection System	\$ 5,817.00
AGRF - Wastewater	\$ 580.00	

ENGLEWOOD WATER DISTRICT

**SCHEDULE OF INSURANCE COVERAGE
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)**

<u>Coverage</u>	<u>Insurance Company</u>	<u>Limits</u>	<u>Deductibles</u>
Property	PGIT	\$ 24,329,000	\$ 25,000
Windstorm property	PGIT	24,329,000	5% (minimum \$35,000)
Flood property	PGIT	1,000,000	25,000
Earthquake property	PGIT	1,000,000	25,000
Crime	PGIT	100,000	5,000
General liability	PGIT	100,000	5,000
Fire damage general liability	PGIT	-	25,000
Public officials liability	PGIT	1,000,000	15,000
Employment related practices liability	PGIT	1,000,000	5,000
Automobile	PGIT	500,000	5,000

OTHER INDEPENDENT AUDITOR'S REPORTS



**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 Supervisors
Englewood Water District
Fernandina Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Englewood 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, and have issued our report thereon dated February 24, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bradenton, Florida
February 24, 2021



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Supervisors
Englewood Water District
Fernandina Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Englewood Water District (the "District") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 24, 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 Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; 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 February 24, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal District

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements. The District has no component units.

Financial Condition and Management

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

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

Additional Matters

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

Purpose of this Letter

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

Bradenton, Florida
February 24, 2021

Mauldin & Jenkins, LLC

ENGLEWOOD WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2020

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiency identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal and State Financial Assistance

Federal and state Single Audits were not required as the District did not expend greater than \$750,000 of federal or state funds during its fiscal year ended September 30, 2020.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None noted.

SECTION III
FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

ENGLEWOOD WATER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

None reported.



INDEPENDENT ACCOUNTANT'S REPORT

Board of Supervisors
Englewood Water District
Fernandina Beach, Florida

We have examined the Englewood Water District's (the "District") compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2020. Management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2020.

This report is intended solely for the information and use of the District and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Bradenton, Florida
February 24, 2021

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.