

**IMMOKALEE WATER & SEWER DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**TOGETHER WITH REPORTS OF**  
**INDEPENDENT AUDITOR**  
**YEARS ENDED**  
**SEPTEMBER 30, 2012 AND 2011**

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**TUSCAN**  
& Company, PA

**Certified Public Accountants & Consultants**

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Immokalee Water & Sewer District  
1020 Sanitation Road  
Immokalee, Florida 34142

We have audited the accompanying basic financial statements of Immokalee Water & Sewer District (an independent special district) as of September 30, 2012 and 2011, and for the years then ended. These basic financial statements are the responsibility of the Immokalee Water & Sewer District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of the Office of Management and Budget (OMB) Circular A-133. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Immokalee Water & Sewer District as of September 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 15, 2013, on our consideration of Immokalee Water & Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

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compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages i-xx 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 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Immokalee Water & Sewer District's financial statements. The required supplementary information other than MD&A - budgetary comparison information - Schedule of Revenues, Expenses and Changes in Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual with Reconciliation to GAAP Basis - year ended September 30, 2012, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audits of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 required supplementary information other than MD&A - budgetary comparison information - Schedule of Revenues, Expenses and Changes in Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual with Reconciliation to GAAP Basis - year ended September 30, 2012, is fairly stated in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Immokalee Water & Sewer District's financial statements taken as a whole. The Schedule of Expenditures of Federal Awards, as required by U.S. Office of

Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) - year ended September 30, 2012 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 Expenditures of Federal Awards - year ended September 30, 2012, is fairly stated in all material respects in relation to the financial statements as a whole.

The Exhibit - Management's Response to Independent Auditor's Report to Management, is not a required part of the financial statements but is required by Government Auditing Standards and State of Florida Chapter 10.550 "Rules of the Auditor General". Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 15, 2013

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS  
(MD&A)**

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2012

The management of the Immokalee Water & Sewer District offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended September 30, 2012.

#### **Basic Financial Statements**

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The District is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, a statement of cash flows, and a reconciliation of operating profit (loss) to net cash provided by operating activities. These financial statements are followed by notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary information pertaining to budgetary reconciliations, and a schedule of expenditures of federal awards received by the District.

The statement of net assets presents information on the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses and nonoperating revenues and expenses of the District for the fiscal year. The difference, the net income or loss, is combined with any capital grants to determine the net change in assets for the fiscal year. The net change, combined with the net assets at the end of the previous year, total to the net assets at the end of the current fiscal year.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, noncapital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance, total to the cash and cash equivalent balance at the end of the current fiscal year.

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

#### Condensed Financial Statement

Condensed financial information from the statements of net assets and revenues, expenses and changes in net assets for the years ended September 30, 2012 and 2011 are as follows:

	2012	2011
Current and other assets	\$ 11,328,715	\$ 9,702,415
Capital assets, net	29,418,901	28,111,209
Total assets	\$ 40,747,616	\$ 37,813,624
Current liabilities	\$ 1,977,868	\$ 1,626,083
Long-term liabilities	15,857,160	14,491,289
Total liabilities	17,835,028	16,117,372
Net assets:		
Invested in capital assets, net of related debt	13,198,776	13,169,600
Restricted	932,343	1,194,869
Unrestricted	8,781,469	7,331,783
Total net assets	22,912,588	21,696,252
Total liabilities and net assets	\$ 40,747,616	\$ 37,813,624
Operating revenue:		
Water service	\$ 2,425,186	\$ 2,387,714
Wastewater service	4,027,021	3,954,977
Meter service charges	493,946	487,944
Late fees	79,620	82,325
Reconnection /transfer fee	109,825	116,145
Miscellaneous revenue	78,805	89,193
Cross connection control fees	278,590	208,604
Total operating revenues	7,492,993	7,326,902
Operating expenses:		
Water treatment and distribution expense	1,313,018	1,250,778
Wastewater treatment expense	1,351,447	1,367,998
Wastewater collection expense	394,407	398,142
Customer service and administrative expense	973,489	1,066,866
Maintenance	260,169	244,220
Total operating expenses, excluding depreciation	4,292,530	4,328,004
Depreciation and amortization	1,388,852	1,500,000
Total operating expenses, including depreciation	5,681,382	5,828,004
Operating profit (loss)	1,811,611	1,498,898
Net nonoperating revenue/expense	(646,767)	(1,561,330)
Profit (loss) before capital grants	1,164,844	(62,432)
Capital grants and contributions	51,492	407,315
Increase (Decrease) in net assets	1,216,336	344,883
Beginning of year net assets	21,696,252	21,351,369
End of year net assets	\$ 22,912,588	\$ 21,696,252

(Continued)



# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2012

The information contained in the condensed financial information table is used as the basis for the discussion presented on the following pages, surrounding the District's activities for the fiscal year ended September 30, 2012.

#### **Financial Highlights**

- The District has not had a rate increase in water and wastewater user fees since January 1, 2009. A rate study was completed, and the Board voted to increase rates effective October 1, 2012.
- The District ended the year September 30, 2012, with a net asset balance of \$22,912,588 of which \$13,198,776 represented the net amount invested in capital assets and \$8,781,469 was unrestricted. The ending net asset amount was \$1,216,336 more than the net asset balance at the beginning of the year. This was primarily a result of the implementation of the previous rate increases, and decreases in expenses, and decreases in depreciation expense.
- The District had a profit before capital contributions, for the year ended September 30, 2012 of \$1,164,844. This differed from 2011, because there was greater than normal loss on disposal of fixed assets in 2011.
- The District has minimized interest expense, because of utilizing low interest loans for capital projects funded through USDA Rural Development. These interest rates range from 4.375% to 5.125%. The projects are a combination of loans and grants with the highest grant ratio to date being at 57% of the total project.
- In 2009, the District also qualified for an EPA loan and grant through the FDEP State Revolving Loan Program. The District received \$2,324,845 as “loan forgiveness”, or grant funds, and \$738,425 in the form of loans.
- The District ended the year September 30, 2012 with cash and cash equivalents of approximately \$10,517,366. However, only \$8,089,718 of this amount is available for operations, with the remainder of these assets being restricted for specific purposes and unavailable for the District's general use.
- The statement of cash flows identifies the sources and uses of cash activity for the fiscal year. For fiscal year 2012, cash and cash equivalents increased by \$1,575,079 This increase resulted primarily from the additional money raised through an increase in user fees in previous years and proceeds from a bond anticipation note, coupled with the spending activity in the District's capital improvement program, in which the District expended over \$2,696,000 and from the servicing of the District's debt, which resulted in the spending of over \$1,177,000. Over \$4,000,000 of the construction in progress was related to the FDEP stimulus loan and grant, while over \$1,800,000 was related to the USDA WWTP Expansion.

# IMMOKALEE WATER & SEWER DISTRICT

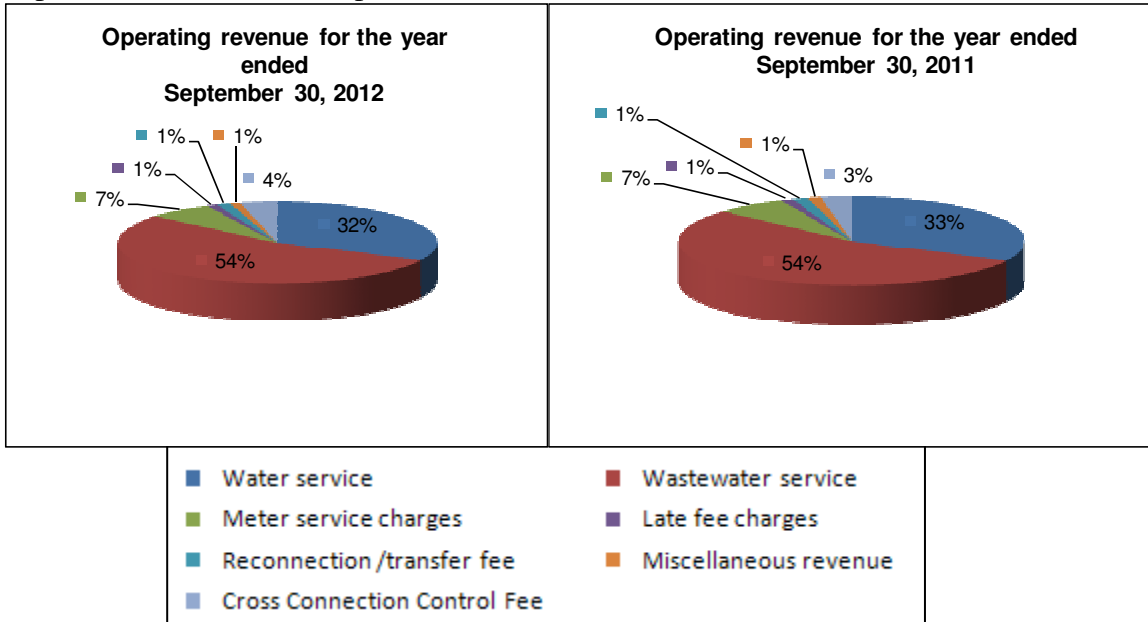
## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2012

- **Revenue**

The following charts show the major sources of operating revenues for the years ended September 30, 2012 and September 30, 2011:



As in previous years, the wastewater service revenues make up more than half of the revenues, accounting for with 54% in 2012 and 2011. Water revenue accounted for slightly less in 2012 at 32% from 33% in 2011. Meter service charges, late fee charges, reconnection fees and miscellaneous revenues remained constant between the two years. Cross connection control fees, which were added in 2010, increased to 4% of total revenues in 2012 from 3% in 2011.

The District was successful in receiving an increase in the District boundaries by the Florida Legislature, during the Spring 2005 session. This change in the boundaries is expected to result in increased opportunities for new users, in future years. We will be working on a capital improvement plan, in conjunction with the Immokalee Master Plan, to identify the needs within the next fiscal year. In addition, the District received donations from large landowners to pay for the cost of a Master Plan for the District. That Master Plan was completed during 2009, however, the landowners have had to delay implementation of new housing plans, due to a downturn in the area.

IMMOKALEE WATER & SEWER DISTRICT

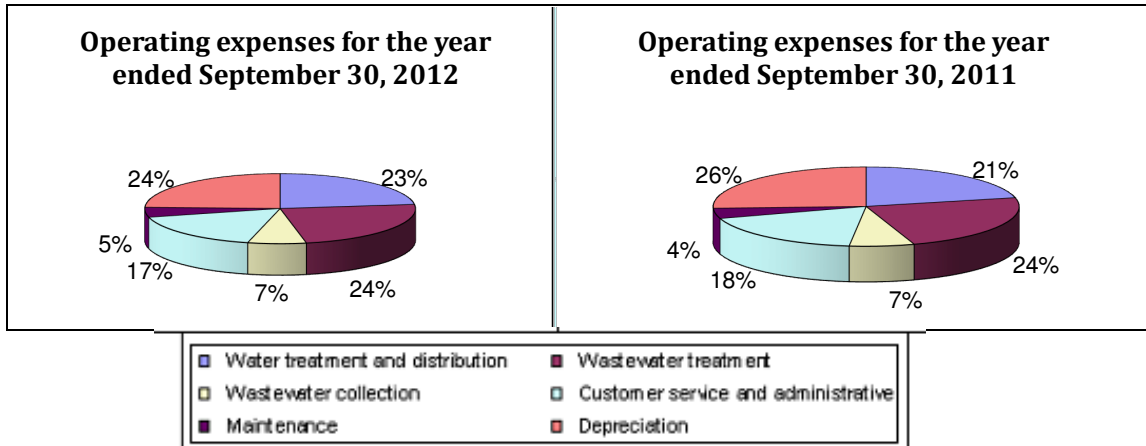
Required Supplementary Information

Management's Discussion and Analysis

September 30, 2012

**Expenses**

The following charges show the major sources of operating expenses for the years ended September 30, 2012 and September 30, 2011.



Due to the significant investments the District has in capital assets, depreciation continues to be one the largest operating expenses at 24% of total operating expenses, a decrease of two percent, from 2011. Unlike the other expenses listed, depreciation is not a cash expense. The highest expense, at 24% of total expenses is for wastewater treatment, which remained the same between 2012 and 2011. This department is one the largest, with six full time employees and one part time employee. The largest expense in this department is Residuals Management, which accounted for over \$417,000 in expenses.

The second largest department, by expenses, is the water distribution department with eleven full time employees. The related expenses decreased by two percent to 23% for 2012. We are replacing meters that are under registering, with new Neptune auto-read meters. In addition, all new residential services are required to use the Neptune auto-read meters. This will reduce the need for additional meter readers in the water department and will improve the efficiency and accuracy of the meter reading process. As of the end of 2012, there were over 6,000 meters installed with the automated meters. There are over 6,300 total meters installed, so 95% of the meters are now automated. We should be able to complete the replacement project within the year.

The third largest department is the administration department, which consists of nine full time employees. The related expenses decreased to 17% of total expenses in 2012 from

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

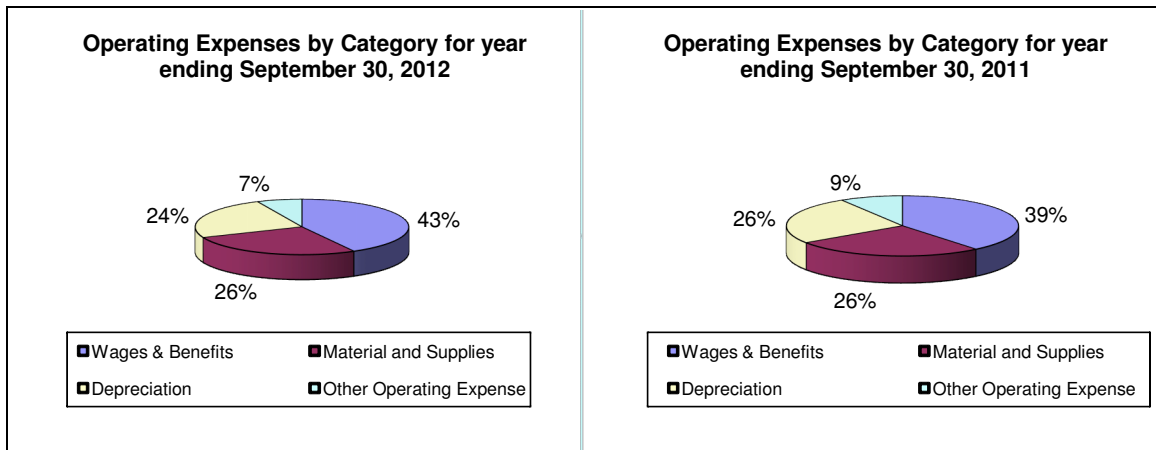
September 30, 2012

18% in 2011. The largest expense in this department, other than salaries and benefits is engineering fees. The District changed engineering firms during the 2011 fiscal year, and realized a significant cost savings on this line item during the 2012 fiscal year.

The next largest department is the wastewater collection department, which consists of four full time employees. The related expenses remained constant at 7% for 2012 and 2011.

The smallest department is the maintenance department, which was created in fiscal year 2004 to reduce maintenance-related expenses from third-party vendors. A new position was created in 2008, for this department, and it now consists of four full time employees. It increased by one percent to 5% of total expenses in 2012, from 4% in 2011. Labor costs in this department, except for those relating to the supervisor, are charged to the appropriate departments, based on the maintenance projects on which they are working.

Expenses by category are depicted in the charts below for 2012 and 2011.



Wages and benefits increased by four percent to 43% of the expenses in 2012, making it highest expense category. Materials and supplies stayed consistent at 26%. Depreciation expense decreased by two percent to 24%, and other operating expenses decreased by two percent to 7%.

The District continues to pursue ways to reduce costs without affecting service. During the 2012 fiscal year, the District did not give the employees a cost of living or merit increase. The District bids out contracts for major expenses, such as health insurance, property insurance, residuals management and chemicals. The District has an arrangement with Collier County Fleet Management allowing the use of their fuel tanks, located in Immokalee, to take advantage of bulk-usage savings. The District utilizes SUNCOM, through the Florida Department of Management Services for long distance services.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2012

**General Fund Budgetary Highlights**

Over the course of the year, the Board of Commissioners amended the District budget two times. These budget amendments were done primarily to a) increase operating revenue, increase non-operating revenue, reduce operating expenses, increase capital expenditures, increase debt service and adjust designated funds, and b) to increase operating revenue, increase non-operating revenue, decrease operating expenses, increase capital expenditures, increase debt service, and adjust designated funds.

Original to Final Budget Variance

Total final budgeted operating revenues were increased by approximately \$529,000 (or 8%) more than originally budgeted, and total budgeted operating expenses, excluding depreciation expense, was decreased by over \$408,000 (or 9%).

Budgeted interest income was increased by more than \$8,000. Budgeted contributed capital – customers was decreased by \$5,982. Contributed capital – developers, was decreased by \$49,982 and other non-operating revenue were decreased by over \$3,800.

Final Budget to Actual Variance

Total operating revenue was approximately \$44,000 more than budgeted.

Over the five departments, approximately \$301,000 in budgeted operating expenses were not expended, as well as \$61,000 in depreciation expense. Approximately \$38,000 in budgeted interest expenses were not expended.

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2012

#### Capital Assets

The District's capital assets as of September 30, 2012 and 2011, amounted to \$29,418,901 and \$28,111,209 (net of accumulated depreciation) respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, water and wastewater plants and systems, and machinery and equipment.

Net capital asset additions included the following for the years ended September 30:

	<u>2012</u>	<u>2011</u>
Construction in progress	\$1,874,139	\$909,636
Buildings and improvements	-	11,553
Water and wastewater plants and systems	529,054	-514,285
Machinery and equipment	293,351	136,136
	<u>\$2,696,544</u>	<u>\$543,040</u>

Construction in progress for 2012 was mainly related to the USDA Wastewater Treatment Expansion and forcemain expansion (ARRA) stimulus project.

The District primarily acquires its assets with the proceeds from federal capital grants and revenue bonds, supplemented by user fees. USDA Rural Development is the primary source of proceeds, because they offer low interest loans for capital improvements. We also received contributed capital in the form of new water and sewer infrastructure from developers. New equipment purchases and a system expansion are part of the District's capital improvement program. Capital purchases are acquired using bids, or Florida State Contract prices. For our ongoing meter replacement program we utilize the bid prices for Neptune® meters from the City of Cape Coral. In Fiscal Year 2012 and 2011 we used our own personnel to continue the meter replacement program.

#### **Debt**

As of September 30, 2012, the District had \$13,705,969 of revenue bonds outstanding. The total amount outstanding for these categories of debt decreased by \$382,000. This reflects payments made by the District to decrease the debt.

#### **Unrestricted Net Assets**

As of September 30, 2012, the District had designated \$4,726,913 in unrestricted net assets, as recommended by the auditor. The District designated \$560,000 for emergencies, \$2,501,146 for operations, \$267,025 for vehicle replacement, \$215,865 for capital

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2012

equipment, and \$1,182,877 for maintenance reserve. The District still had \$4,054,556 in undesignated net assets at the end of 2012.

#### **Upcoming Significant Changes or Impacts**

Rate Increase: The District last implemented an additional 5% rate increase for water and wastewater user fees on January 1, 2009. The District hired a rate consultant, PRMG, to determine what rate increase was needed. PRMG recommended a change in the way multi-family housing is charged, and an increase on all users. That was implemented on October 1, 2012.

Residential - There are several residential developments that are expected to continue to impact the future revenues of the District during the next fiscal year.

**Arrowhead PUD**, which will consist of over 1,200 residential units at completion, has completed the first phase of their water and wastewater infrastructure. The Crestview Apartments Phase I & II (304 units) were completed and connected. The first and second phase of approximately 125 single-family units were also completed. Building on these homes has been delayed due to the impact of the nationwide housing market.

**Eden Gardens** completed the 92 units of housing, just north of the Carson Road Water Plant.

**Habitat for Humanity** continues to build homes in Immokalee. In December 2006, they completed the infrastructure in the Independence Subdivision Phases II, with 167 homes. Liberty PUD, with 162 single family homes has also been connected, to our system. They have completed the preliminary work for the Faith PUD, which will include an additional 175 homes; and the Kaicasa PUD, which will consist of 400 homes.

**United Church Homes** - Immokalee Senior Housing PUD, completed and connected their 119 multi-family unit on North Eleventh Street. That unit was found to have problems with Chinese drywall, and other structural issues, and during 2009 the residents were relocated to the Arrowhead apartments. During 2010, residents returned to the complex.

**The Empowerment Alliance** has completed the site work on Esperanza Place - Phase 1 consisting of 62 homes, and Hatchers Preserve consisting of 18 single family homes.

**Florida Non Profit Services** is spearheading Esperanza Place - Phase 2 which consists of 176 multi-family homes. Those units have also been completed.

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2012

#### Other Residential:

The nearby Ave Maria University campus is expected to eventually impact Immokalee with increased demand for low cost residential homes for workers. Discussions were held in previous years with Lennar Homes regarding the possibility of 5,000 to 6,000 homes in the Serenoa subdivision, however, that fell through following the nationwide slump in housing prices. Barron Collier has since acquired that property, and they have not yet indicated what they plan to use the property for. Collier Enterprises has withdrawn their plans to build 400 homes near the Florida Tradeport.

#### Commercial

The EDC continues to market the Florida Tradeport, but has been unable to secure a key industry for that location. The National Guard took over the Immokalee Training and Manufacturing building, and they have plans to build a large facility on the Airport site. Plans were previously approved for the CCAA USDA Manufacturing Building at the airport, and that building is complete. Plans were also approved for First Stop Grocery on South 1<sup>st</sup> Street. That building replaces a building that was condemned years ago. Collier County Public Schools is operating the new Bethune Education Center.

Our own Community System Improvement (CSI) project was essentially completed during the 2009 fiscal year. This project included the increase in capacity of the Carson Road Water Plant, and the addition of new potable water wells, water lines, fire hydrants, a sewer force main, and improvements to several lift stations. The only remaining work was completed in 2010 was work related to a lift station upgrade.

During 2010, we began construction using the \$3,000,000 in funding from FDEP to complete several water line projects, chemical upgrades to our three water plants, and cross connection control projects throughout our community. That project was completed in 2011.

Also completed in 2011 was an upgrade to Lift Station R, using District funds. We began an upgrade and forcemain extension for Lift Station X2, and it was nearly completed in 2012.

Our Wastewater Expansion Project began construction during 2012. It includes an expansion from 2.5 mgd to 3.25 mgd at the existing wastewater facility. It also includes a sewer force main from Arrowhead PUD to the wastewater plant.

#### **Request For Information**

This financial report is intended to provide an overview of the finances of the District for those with an interest in this organization. Questions concerning any information within this report, may be directed to the Executive Director of the District, 1020 Sanitation Road, Immokalee, Florida 34142.



**IMMOKALEE WATER & SEWER DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**September 30, 2012 and 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 7,564,324	\$ 5,837,072
Investment	525,394	513,941
Accounts receivable, net	474,086	433,638
Other receivables	3,111	11,252
Inventory	324,447	262,934
Prepaid expenses	<u>9,705</u>	<u>63,757</u>
TOTAL CURRENT ASSETS	<u>8,901,067</u>	<u>7,122,594</u>
<b>RESTRICTED ASSETS</b>		
Cash	2,427,648	2,579,821
Grant and other receivables	<u>-</u>	<u>-</u>
TOTAL RESTRICTED ASSETS	<u>2,427,648</u>	<u>2,579,821</u>
<b>CAPITAL ASSETS</b>		
Capital assets not being depreciated:		
Land	2,645,941	2,645,941
Construction in progress	6,305,475	4,431,336
Capital assets being depreciated:		
Buildings and improvements	1,511,233	1,511,233
Water and wastewater plants and systems	42,326,162	41,797,108
Machinery and equipment	2,106,131	1,812,780
Less:		
Accumulated depreciation	<u>(25,476,041)</u>	<u>(24,087,189)</u>
	<u>29,418,901</u>	<u>28,111,209</u>
TOTAL ASSETS	<u>\$ 40,747,616</u>	<u>\$ 37,813,624</u>

The accompanying notes are an integral part of this statement.

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Bond anticipation note payable, current portion	\$ -	\$ -
Notes payable, current portion	-	92,496
Accounts and contracts payable	446,092	113,206
Other accrued expenses	36,471	35,429
Deferred revenue	-	-
TOTAL CURRENT LIABILITIES	<u>482,563</u>	<u>241,131</u>
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Revenue bonds payable, current portion	400,000	382,000
Loans payable - SRF, current portion	30,020	39,145
Accrued revenue bond interest	51,973	53,540
Contracts payable	-	68,731
Retainage payable	119,656	-
Customer deposits	<u>893,656</u>	<u>841,536</u>
TOTAL CURRENT LIABILITIES (Payable from Restricted Assets)	<u>1,495,305</u>	<u>1,384,952</u>
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds payable, net of current portion	13,305,969	13,705,969
Loans payable - DEP. SRF, net of current portion	695,820	716,040
Bond anticipation note payable, net of current portion	1,788,316	-
Notes payable, net of current portion	-	5,959
Accrued compensated absences	<u>67,055</u>	<u>63,321</u>
TOTAL LONG-TERM LIABILITIES	<u>15,857,160</u>	<u>14,491,289</u>
TOTAL LIABILITIES	<u>17,835,028</u>	<u>16,117,372</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	13,198,776	13,169,600
Restricted	932,343	1,194,869
Unrestricted	<u>8,781,469</u>	<u>7,331,783</u>
TOTAL NET ASSETS	<u>22,912,588</u>	<u>21,696,252</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 40,747,616</u>	<u>\$ 37,813,624</u>

**IMMOKALEE WATER & SEWER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years ended September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Cross connection control fee	\$ 278,590	\$ 208,604
Water service	2,425,186	2,387,714
Wastewater service	4,027,021	3,954,977
Meter service charge	493,946	487,944
Late fees	79,620	82,325
Reconnect and transfer fees	109,825	116,145
Miscellaneous charges, fees and other income	<u>78,805</u>	<u>89,193</u>
TOTAL OPERATING REVENUES	<u>7,492,993</u>	<u>7,326,902</u>
<b>OPERATING EXPENSES</b>		
Water treatment and distribution	1,313,018	1,250,778
Wastewater treatment	1,351,447	1,367,998
Wastewater collection	394,407	398,142
Customer service and administrative	973,489	1,066,866
Maintenance	<u>260,169</u>	<u>244,220</u>
TOTAL OPERATING EXPENSES		
PRIOR TO DEPRECIATION	4,292,530	4,328,004
Depreciation	<u>1,388,852</u>	<u>1,500,000</u>
TOTAL OPERATING EXPENSES	<u>5,681,382</u>	<u>5,828,004</u>
OPERATING PROFIT (LOSS)	<u>1,811,611</u>	<u>1,498,898</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	66,282	66,268
Loss on disposal of fixed assets	-	(914,778)
Interest expense	(695,420)	(700,178)
Bad debt expense adjustment	(18,905)	(14,730)
Other income	<u>1,276</u>	<u>2,088</u>
NET NON-OPERATING EXPENSES	<u>(646,767)</u>	<u>(1,561,330)</u>
PROFIT (LOSS) BEFORE CAPITAL		
CONTRIBUTIONS	1,164,844	(62,432)
<b>CAPITAL CONTRIBUTIONS</b>		
Rural Development	-	9,742
FDEP	-	256,627
Customers	23,658	23,770
Developers	<u>27,834</u>	<u>117,176</u>
TOTAL CAPITAL CONTRIBUTIONS	<u>51,492</u>	<u>407,315</u>
INCREASE (DECREASE) IN NET ASSETS	1,216,336	344,883
<b>NET ASSETS - Beginning of the year</b>	<u>21,696,252</u>	<u>21,351,369</u>
<b>NET ASSETS - End of the year</b>	<u>\$ 22,912,588</u>	<u>\$ 21,696,252</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years ended September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 7,493,901	\$ 7,322,576
Cash payments to suppliers and employees	<u>(4,284,246)</u>	<u>(4,606,090)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,209,655</u>	<u>2,716,486</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING:</b>		
Other income received	<u>1,276</u>	<u>2,088</u>
NET CASH PROVIDED BY NON CAPITAL FINANCING	<u>1,276</u>	<u>2,088</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(2,295,871)	(2,256,092)
Proceeds from sale of capital assets	-	12,490
Principal paid on revenue bonds	(382,000)	(366,000)
Principal paid on notes	(98,455)	(107,493)
Principal paid on loans - SRF	(29,342)	-
Interest paid on bonds and other obligations	(696,987)	(701,666)
Proceeds from debt issuance - FDEP	-	461,204
Proceeds from bond anticipation note	1,788,316	-
Capital contributions - Rural Development	-	80,767
Capital contributions - FDEP	-	658,952
Membership/customer connection fees	<u>23,658</u>	<u>23,770</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,690,681)</u>	<u>(2,194,068)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Interest earned on investments	54,829	52,327
Purchase of certificate of deposit	<u>-</u>	<u>-</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>54,829</u>	<u>52,327</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,575,079	576,833
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>8,416,893</u>	<u>7,840,060</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 9,991,972</u>	<u>\$ 8,416,893</u>

The accompanying notes are an integral part of this statement.

	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
<b>OPERATING PROFIT (LOSS)</b>	<u>\$ 1,811,611</u>	<u>\$ 1,498,898</u>
Adjustments to reconcile operating profit to net cash provided by operating activities:		
Depreciation (non cash)	1,388,852	1,500,000
(Increase) decrease in accounts receivable	(59,353)	(37,161)
(Increase) decrease in other receivable	8,141	455
(Increase) decrease in inventory	(61,513)	(21,336)
(Increase) decrease in prepaid expenses	54,052	(3,915)
Increase (decrease) in accounts payable	10,969	(262,880)
Increase (decrease) in other accrued expenses	1,042	6,382
Increase (decrease) in customer deposits	52,120	32,380
Increase (decrease) in accrued compensated absences	<u>3,734</u>	<u>3,663</u>
TOTAL ADJUSTMENTS	<u>1,398,044</u>	<u>1,217,588</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,209,655</u>	<u>\$ 2,716,486</u>

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES**

During the years ended September 30, 2012 and 2011, the District accepted system improvements donated, after construction, from developers in the amount of \$27,834 and \$117,176, respectively.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

**Organization**

Immokalee Water & Sewer District (the "District") was created by Laws of Florida, Chapter 78-494 on July 15, 1978, under the provisions of Florida Statute, Chapter 153.53 for the purpose of providing water and sewer services to Immokalee, an unincorporated area of eastern Collier County, Florida. The District's enabling legislation was repealed, updated, reenacted, and codified by Laws of Florida, Chapter 98-495 on May 28, 1998. On July 1, 2005, Laws of Florida, Chapter 2005-298 amended Laws of Florida, Chapter 98-495 by expanding the District's boundaries. The District owns, operates, maintains and regulates its water and sewer plants and systems as an independent special district of the State of Florida. The District is governed by a seven (7) member Board of Commissioners appointed by the Governor of the State of Florida. The Board of Commissioners (the "Board") administer the District, independent from any other local governing body and serve staggered four (4) year terms.

**Reporting Entity**

Immokalee Water & Sewer District is financially independent of all other units of government. It is responsible for financing its own activities and the payment of its own debt. The Board of Commissioners ("Board") has the responsibility to employ management that is responsible for the day-to-day operations of the District. The Board has absolute authority over all funds included in the entity. Immokalee Water & Sewer District is not a component unit of any other governmental unit.

The District adheres to Statement of Governmental Accounting Standards Board (GASB) Statement Number 14, "Financial Reporting Entity", as amended by GASB Statement Number 39, "Determining Whether Certain Organizations Are Component Units." These Statements require the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate agency for which the primary government is financially accountable or organizations whose exclusion would cause the financial statements to be misleading because of the nature and significance of their relationship with the primary government. Financial accountability is determined by the primary government's ability to appoint the voting majority of the entity's board, impose its will on the organization, the existence of a financial benefit/burden relationship or fiscal

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Reporting Entity, continued**

dependency. Based on this criteria, there are no component units required to be included and there are no component units included in the District's financial statements.

The Immokalee Water & Sewer District adheres to the requirements of Governmental Accounting Standards Statement Number 33 "Accounting and Financial Reporting for Non-Exchange Transactions." As such, grant revenue is recorded as non-operating revenue and is reflected on the Statements of Revenues, Expenses and Changes in Net Assets.

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

The District adheres to the requirements of Governmental Accounting Standards Board Statement Number 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" (GASB 34). The government-wide financial statements along with the notes to the financial statements and the RSI, as noted below comprise the basic financial statements.

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Notes to the financial statements
- Required supplementary information other than MD&A

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets) report information on all of the activities of the District and do not emphasize fund types. These business-type activities comprise the primary government. Business-type activities rely on user fees and charges to support its activities rather than taxes and intergovernmental revenues. The purpose of the government-wide financial statements is to allow the user to be able to determine if the District is in a better or worse financial position than the prior year. The District uses only one fund.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Government-Wide Financial Statements, continued**

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33-"Accounting and Financial Reporting for Nonexchange Transactions."

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability in the government-wide financial statements, rather than as expenditures.

The Statement of Revenues, Expenditures and Changes in Net Assets demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit for goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital improvements of a particular function.

Operating revenues are considered to be revenues generated by services performed and/or by fees charged such as water and sewer usage, connection, inspection fees and flow testing.

**Budgetary Information**

As required, the District uses only one fund to account for its activities and, therefore, it is considered a major fund. The District has elected to report budgetary comparison of its major fund as required supplementary information (RSI).



**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Fund Accounting**

The District's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and net assets (fund equity balances) and changes therein.

The accompanying financial statements reflect Business - Type Activities and are classified as a Single Proprietary Fund Type - Enterprise fund. This fund accounts for the cost of services provided by the District as well as the revenues earned by the District.

**Business - Type Activities - Proprietary Fund Type**

Enterprise Fund - An enterprise fund is 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 the governing body has 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**

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. Operating revenues and expenses result from providing water distribution as well as wastewater collection and treatment to members within the District's boundaries. Generally, other revenues and expenses are treated as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Basis of Accounting**

The proprietary fund type is presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period earned and expenses are recorded in the period the liability is incurred.

**Budgetary Process**

The District operates under a fixed budget for control purposes. The budget and amendments, if any, are approved by the Board of Commissioners. The budget is prepared on a Non-GAAP accrual basis, whereby items such as capital expenditures and debt principal payments are budgeted as expenses.

The annual budget serves as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted. All budget amendments, which change the legally adopted total appropriation, are approved by the Board.

The District follows these procedures in establishing budgetary data.

1. During the summer of each year, management submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget amounts, as shown in these financial statements, are as originally adopted or as amended by the Board of Commissioners.
5. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America, except as reflected in the supplementary information and as noted above.
6. The level of control for appropriations is exercised at the fund level.
7. Appropriations lapse at year-end.

The Board of Commissioners did amend the budget during the fiscal year ended September 30, 2012 to increase total budgeted net operating revenue by \$529,314 and a decrease in net expenses (including net non-operating revenue and expense) by \$341,966. This change resulted in a budgeted net loss decrease of \$871,280.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Cash**

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments, including both unrestricted and restricted, with a maturity of three months or less, when purchased, to be a cash equivalent, in accordance with District policy.

**Accounts Receivable/Allowance for Doubtful Accounts**

Receivables include user fees for water and wastewater services provided as part of the operations by the District. The accounts receivable are recorded net of the estimated allowance for doubtful accounts. The District operates using an allowance and collection policy that ultimately provides for discontinuance of water service due to nonpayment by the user. The policy also provides for application of the respective user's security deposit upon certain criteria. Additionally, the policy requires a user landlord to satisfy any outstanding user fees (tenant) prior to allowing services to a future tenant for that landlord.

**Inventory**

Inventory consists of utility system parts and hardware supplies at year end. The inventories are valued at cost, which approximates market. The method used to determine the value of the inventory is the FIFO (first in-first out) method.

**Capital Assets and Depreciation**

Capital assets acquired by proprietary funds are reported in those funds at historical cost or estimated historical cost if actual historical cost is not available.

Donated assets are reported at estimated fair market value at the time received. Certain infrastructure-type fixed assets consisting of certain improvements such as roads, curbs, gutters and lighting systems have not been capitalized, as the District does not generally incur such expenditures. However, the systems' distribution and collection lines and pumps are capitalized and depreciated as part of the overall system. Assets acquired with a cost or fair value of \$1,000 or more and a useful life of 1 year or more are capitalized. Maintenance, repairs and minor renovations are not capitalized. The acquisition of land and construction projects utilizing resources received from Federal and State agencies are capitalized when the related expenditure is incurred.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Capital Assets and Depreciation, continued**

The capital assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings/Plant and Plant Equipment	10-40
Capital Improvements, Distribution Lines	5-40
Furniture, Fixtures and Equipment	3-20
Vehicles	3-7

**Restricted Assets**

These monies are restricted by the applicable debt covenants and grant agreements or as customer deposits.

**Vacation Leave and Other Compensated Absences**

Accumulated unpaid vacation pay is accrued when incurred in the proprietary fund. The method of accrual is in accordance with Statement of Governmental Accounting Standards Board Number 16, "Accounting for Compensated Absences" (GASB 16). This standard provides for the measurement of accrued vacation leave and other compensated absences using the pay or salary rates in effect at the balance sheet date. It also requires additional amounts to be accrued for certain salary related payments associated with the payment of compensated absences such as FICA and retirement benefits. Sick leave and personal time accrued is forfeited if not used prior to termination.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because at present it is not considered necessary to assure budgetary control or to facilitate effective cash planning and control.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Membership (Connection) Fees**

Water (connection) service installation fees are dedicated for the system expansion and are treated as contributed capital but recognized as revenue when received (due to the District) by the District.

**Income Taxes**

The District, as a governmental unit, is exempt from income taxes under current provisions of the Internal Revenue Code and Florida State Law.

**Fund Equity**

Grants, entitlements or shared revenues which are externally restricted for capital acquisition or construction are treated as contributed capital but recorded as revenue when due the District. Contributed or donated fixed assets are also treated as contributed capital but recorded as revenue when due the District. Reserved retained earnings represent those portions of fund equity legally restricted by debt covenants for current and future debt service.

**Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities 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.

**Reclassifications**

Certain amounts in the financial statements have been reclassified to conform with the current year presentation. These reclassifications had no effect on the results of operations or net assets.

**Subsequent Events**

Subsequent events have been evaluated through January 15, 2013, which is the date the basic financial statements were available to be issued.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Application of FASB Pronouncements to Proprietary Funds**

In accordance with Governmental Accounting Standards Board (GASB) Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the District has elected not to apply those FASB Statements and Interpretations issued after November 30, 1989, that do not conflict GASB pronouncements. Only GASB pronouncements issued after this date will be adopted by the District.

**NOTE B - CASH AND INVESTMENTS**

At September 30, 2012 and 2011, cash and cash equivalents (including both restricted and unrestricted cash and cash equivalents) were \$9,991,972 and \$8,416,893, respectively, including unrestricted cash on hand of \$2,635 and \$900, respectively.

**Deposits**

The District's deposit policy allows deposits to be held in demand deposits, savings accounts, certificates of deposit, direct obligations of the U.S. Treasury, Local Government Surplus Trust Funds, direct obligations of Federal agencies and instrumentalities and money market accounts. All cash deposits are held in qualified public depositories pursuant to Florida Statutes Chapter 280, "Florida Security for Public Deposits Act."

	<u>Insured/ Collateralized</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
<u>September 30, 2012</u>			
Unrestricted			
Depository accounts	\$ 72,621	\$ 72,621	\$ 26,216
Money market	<u>7,535,473</u>	<u>7,535,473</u>	<u>7,535,473</u>
	<u>7,608,094</u>	<u>7,608,094</u>	<u>7,561,689</u>
Restricted			
Depository accounts	960,246	960,246	960,246
Money market	<u>1,467,402</u>	<u>1,467,402</u>	<u>1,467,402</u>
	<u>2,427,648</u>	<u>2,427,648</u>	<u>2,427,648</u>
	<u>\$ 10,035,742</u>	<u>\$ 10,035,742</u>	<u>\$ 9,989,337</u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012 and 2011**

**NOTE B - CASH AND INVESTMENTS, CONTINUED**

**Deposits, continued**

	Insured/ Collateralized	Bank Balance	Carrying Amount
<u>September 30, 2011</u>			
Unrestricted			
Depository accounts	\$ 184,746	\$ 184,746	\$ 154,592
Money market	<u>5,681,580</u>	<u>5,681,580</u>	<u>5,681,580</u>
	<u>5,866,326</u>	<u>5,866,326</u>	<u>5,836,172</u>
Restricted			
Depository accounts	859,673	859,673	859,673
Money market	<u>1,720,148</u>	<u>1,720,148</u>	<u>1,720,148</u>
	<u>2,579,821</u>	<u>2,579,821</u>	<u>2,579,821</u>
	<u>\$ 8,446,147</u>	<u>\$ 8,446,147</u>	<u>\$ 8,415,993</u>

**Unrestricted and Restricted Deposits**

The District's deposits were categorized to give an indication of the level of risk assumed by the District at year-end. All deposits, were fully insured by Federal Depository Insurance or collateral pursuant to the Public Depository Act (Florida Statute 280). As such, the District resolved to abide by Florida Statute 218.415(17).

**Restricted Deposits**

Restricted deposits are required by the District's outstanding debt agreements as well as grant and other agreements. Restricted deposits also include customer deposits.

Restricted deposits (carrying amounts) consist of the following at September 30:

	<u>2012</u>	<u>2011</u>
Construction account	\$ 48,573	\$ 23,947
Bond sinking fund reserve	1,193,411	1,472,260
Department of Environmental Protection- Deep Well Injection Reserve	227,918	226,441
Customer deposits	905,046	836,925
Loan debt service	<u>52,700</u>	<u>20,248</u>
	<u>\$ 2,427,648</u>	<u>\$ 2,579,821</u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012 and 2011**

**NOTE B - CASH AND INVESTMENTS, CONTINUED**

**Investments**

Florida Statutes and the District's investment policy authorize investments in certificates of deposit (CD). Certificates of deposit whose values exceed the amount of the federal depository insurance are collateralized pursuant to the Public Depository Security Act of the State of Florida. The District had \$525,394 and \$513,941 (bank and book balance) invested in certificates of deposit at September 30, 2012 and 2011, respectively. The CD carried an interest rate of 2.20 % and matured December 4, 2012. The CD was rolled over for sixty (60) months maturing on December 04, 2017.

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at September 30:

	<u>2012</u>	<u>2011</u>
Customer receivables (water/sewer)	\$ 544,795	\$ 502,521
Less allowance for doubtful accounts	<u>(70,709)</u>	<u>(68,883)</u>
Net receivables	<u>\$ 474,086</u>	<u>\$ 433,638</u>



**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012 and 2011**

**NOTE D - CAPITAL ASSET ACTIVITY**

The following is a summary of changes in capital asset activity for the year ended September 30, 2012:

	Balance October 1 2011	Additions	Retirements	Adjustments/ Reclassifications	Balance September 30 2012
Capital Assets Not					
Being Depreciated:					
Land	\$ 2,645,941	\$ -	\$ -	\$ -	\$ 2,645,941
Construction in Progress	4,431,336	1,874,139	-	-	6,305,475
Total Capital Assets Not					
Being Depreciated	<u>7,077,277</u>	<u>1,874,139</u>	<u>-</u>	<u>-</u>	<u>8,951,416</u>
Capital Assets					
Being Depreciated:					
Buildings & Improvements	1,511,233	-	-	-	1,511,233
Water and Wastewater					
Plant and Systems	41,797,108	702,302	-	(173,248)	42,326,162
Machinery & Equipment	<u>1,812,780</u>	<u>120,103</u>	<u>-</u>	<u>173,248</u>	<u>2,106,131</u>
Total Capital Assets					
Being Depreciated	<u>45,121,121</u>	<u>822,405</u>	<u>-</u>	<u>-</u>	<u>45,943,526</u>
Less Accumulated					
Depreciation:					
Buildings & Improvements	(586,356)	(37,989)	-	-	(624,345)
Plant and Systems	(22,119,753)	(1,052,770)	-	-	(23,172,523)
Machinery & Equipment	<u>(1,381,080)</u>	<u>(298,093)</u>	<u>-</u>	<u>-</u>	<u>(1,679,173)</u>
Total Accumulated Depreciation	<u>(24,087,189)</u>	<u>(1,388,852)</u>	<u>-</u>	<u>-</u>	<u>(25,476,041)</u>
Capital Assets, Net	<u>\$ 28,111,209</u>	<u>\$ 1,307,692</u>	<u>\$ -</u>	<u>\$ -</u>	29,418,901
				Related debt	<u>(16,220,125)</u>
			Net assets invested in capital		
			assets, net of related debt		<u>\$ 13,198,776</u>

**NOTE D - CAPITAL ASSET ACTIVITY, CONTINUED**

The depreciation expense for the years ended September 30, 2012 and 2011 was \$1,388,852 and \$1,500,000, respectively. During the years ended September 30, 2012 and 2011, the District continued construction on its system-wide improvements. The District capitalized interest on the project in the amount of \$0 and \$16,760 for the years ended September 30, 2012 and 2011.

At September 30, 2012, construction in progress was \$6,305,475 and consisted of 2 projects.

At September 30, 2011, construction in progress was \$4,431,336 and consisted of two (2) projects, which began during the year ended September 30, 2010.

**NOTE E - RETIREMENT PLAN**

**Plan Description and Provisions**

The District historically offered all its employees the opportunity to participate in an individual government employer-sponsored defined contribution 414(h) Money Purchase Pick-Up Retirement Plan and Trust (the "Plan"). Effective January 1, 2009, the District restated its retirement plan. As such, the restated plan qualifies as a 401(a) Money Purchase defined contribution plan. The Plan is administered by a third party administrator. The employer funds substantially all the administrative costs of the Plan.

The Plan allows all employees to participate after three (3) months creditable employment. Employees who elect to participate must contribute three (3%) percent of their gross wages excluding overtime compensation. The employer is required to contribute six (6%) percent of the respective participating employee's gross wages excluding overtime compensation. Employer contributions are only required for those participating employees who contribute three (3%) of their gross wages, as defined. During the years ended September 30, 2012, 2011, and 2010, the District contributed 100% of its required contributions.

The District's gross contributions (employer portion) to the plan for the years ended September 30, 2012, 2011 and 2010 were \$90,463, \$88,611, and \$83,059, respectively. Employee contributions to the plan were \$67,705, \$79,759, and \$67,697 for the years ended September 30, 2012, 2011, and 2010, respectively.

**NOTE E - RETIREMENT PLAN, CONTINUED**

**Plan Description and Provisions, continued**

Benefits available are limited to the value of the respective employee's individual account. Individuals direct the investment of their individual account. Benefits vest at a rate of twenty (20%) percent per year of creditable service and vest in full after five years of creditable service. A creditable year of service is defined as a year in which an eligible participant completes 1000 hours of service. Employees immediately vest in their contributions. Normal retirement shall be considered to be attainment of age 55 and completion of five (5) creditable years of service. Employees who fail to complete five (5) years creditable service vest in their respective accounts at twenty (20%) percent per completed year of creditable service. The Plan requires retirement at April 1 following the date the participant reaches age 70 1/2. The Plan provides that forfeitures of employer contributions by non-vested terminated employees are to be used to offset future employer contributions. Therefore, employer contributions made to employee accounts who fail to complete the respective year revert back to the employer. The District has no liability for losses, if any, incurred by the plan. Loans to participants are permitted from the participant's specific account. Participants should refer to the complete plan document for specific detail of the Plan.

**NOTE F - REVENUE BONDS PAYABLE**

The following is a summary of the District's revenue bonds payable for the years ended September 30:

	<u>Amount</u>
Balances - September 30, 2010	\$14,453,969
Principal retired	(366,000)
Bonds issued	<u>-</u>
Balances - September 30, 2011	14,087,969
Principal retired	(382,000)
Bonds issued	<u>-</u>
Balances - September 30, 2012	<u><u>\$13,705,969</u></u>

**IMMOKALEE WATER & SEWER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2012 and 2011**

**NOTE F - REVENUE BONDS PAYABLE, CONTINUED**

Revenue Bonds payable is comprised of the following at September 30:

	<u>2012</u>	<u>2011</u>
\$5,300,000 Series A, Water and Sewer Revenue Bonds, issued July 1981, through USDA Rural Development. Principal is payable annually beginning September 1, 1983 through September 1, 2020; interest payable annually at the rate of 5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	\$ 820,000	\$ 900,000
\$722,715 Series B, Water and Sewer Revenue Bonds, issued July 1981, through USDA Rural Development. Principal is payable annually beginning September 1, 1983 through September 1, 2020; interest payable annually at the rate of 5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	284,000	314,000
\$635,000 Series 1985, Water and Sewer Revenue Bonds, issued May 1987, through USDA Rural Development. Principal is payable annually beginning September 1, 1989 through September 1, 2026; interest payable annually at the rate of 5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	346,969	364,969

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012 and 2011**

**NOTE F - REVENUE BONDS PAYABLE, CONTINUED**

	<u>2012</u>	<u>2011</u>
\$3,750,000 Series 1989, Water and Sewer Revenue Bonds, issued October 1991, through USDA Rural Development. Principal is payable annually beginning September 1, 1994 through September 1, 2031; interest payable annually at the rate of 5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	2,686,000	2,770,000
\$250,000 Series 1990, Water and Sewer Revenue Bonds, issued October 1991, through USDA Rural Development. Principal is payable annually beginning September 1, 1994 through September 1, 2031; interest payable annually at the rate of 5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	179,000	185,000
\$4,313,200 Series 1996, Water and Sewer Revenue Bonds, issued August 1996, through USDA Rural Development. Principal is payable annually beginning September 1, 1998 through September 1, 2035; interest payable annually at the rate of 5.125%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	3,465,000	3,543,000
\$802,000 Series 1998, Water and Sewer Revenue Bonds, issued October 1998, through USDA Rural Development. Principal is payable annually beginning September 1, 2001 through September 1, 2038; interest payable annually at the rate of 4.5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	673,000	687,000

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012 and 2011**

**NOTE F - REVENUE BONDS PAYABLE, CONTINUED**

	<u>2012</u>	<u>2011</u>
\$2,252,000 Series 2001, Water and Sewer Refunding Bonds, issued December 2001, through USDA Rural Development. Principal is payable annually beginning September 1, 2004 through September 1, 2041; interest payable annually at the rate of 4.5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	1,999,000	2,032,000
\$3,366,200 Series 2008, Water and Sewer Revenue Bonds, issued March 28, 2008 through USDA Rural Development. Principal is payable annually beginning September 1, 2008 through September 1, 2047; interest payable annually at the rate of 4.375%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	<u>3,253,000</u>	<u>3,292,000</u>
Total	13,705,969	14,087,969
Less: current portion (due in one year)	<u>(400,000)</u>	<u>(382,000)</u>
Long-term portion	<u>\$13,305,969</u>	<u>\$13,705,969</u>

**Bond Resolutions**

The bond resolutions established certain accounts and determined the order in which certain revenues are to be deposited into those accounts. In addition, there are various other covenants established by the official statements and District resolutions, including such items as debt service coverage, reporting requirements, and maintenance of facilities. Management believes that it has complied, in all material respects, with these covenants. All required balances at September 30, 2012 and 2011, were maintained and are reflected as restricted deposits within these financial statements.

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012 and 2011**

**NOTE F - REVENUE BONDS PAYABLE, CONTINUED**

A summary of revenue bond debt service requirements to maturity is as follows  
September 30:

Year Ending September 30	Principal	Interest	Total
2013	\$ 400,000	\$ 655,938	\$ 1,055,938
2014	420,000	636,337	1,056,337
2015	440,000	615,752	1,055,752
2016	464,000	594,185	1,058,185
2017	487,000	571,438	1,058,438
2018-2022	2,458,000	2,484,019	4,942,019
2023-2027	2,464,969	1,903,440	4,368,409
2028-2032	2,749,000	1,260,215	4,009,215
2033-2037	1,876,000	662,961	2,538,961
2038-2042	1,141,000	317,481	1,458,481
2043-2047	806,000	108,763	914,763
	<u>\$ 13,705,969</u>	<u>\$ 9,810,529</u>	<u>\$ 23,516,498</u>

Revenue bond debt interest expense was \$674,657 and \$691,101 for the years ended September 30, 2012 and 2011, respectively. No revenue bond debt interest expense was capitalized in either year.

**NOTE G - LOANS PAYABLE - SRF**

The following is a summary of the District's loans payable activity for the year ended September 30:

	DEP.SRF DW110120	DEP.SRF DW110121	Total
Balance-September 30, 2010	\$ 364,979	-	\$ 364,979
Proceeds	54,702	335,504	390,206
Principal retired	-	-	-
Balance-September 30, 2011	419,681	335,504	755,185
Principal retired	(16,055)	(13,290)	(29,345)
Balance-September 30, 2012	<u>\$ 403,626</u>	<u>\$ 322,214</u>	<u>\$ 725,840</u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012 and 2011**

**NOTE G - LOANS PAYABLE - SRF, CONTINUED**

The loans payable - SRF activity for the year ended September 30 is as follows:

	<u>2012</u>	<u>2011</u>
\$419,681 loan payable representing 15% of a grant/loan payable to Florida Department of Environmental Protection. The maximum amount of the loan is \$2,735,112, in which the FDEP has forgiven \$2,324,845 of the note. The loan also required the District to capitalize interest of \$9,414 during the year ended September 30, 2011. Interest accrues at 2.71%. Principal and interest in payable in forty (40) semi-annual payments of \$13,660 in May and November beginning November 15, 2011. The loan is collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	\$ 403,626	\$ 419,681
\$335,504 loan payable to Florida Department of Environmental Protection. The loan requires forty (40) semi-annual payments of \$10,637 in November and May beginning November 15, 2011. The loan required the District to capitalize interest of \$7,346 during the year ended September 30, 2011. Interest accrues at 2.43%. The loan is collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	<u>322,214</u>	<u>335,504</u>
Total loans payable	725,840	755,185
Less current portion:	<u>(30,020)</u>	<u>(39,145)</u>
	<u>\$ 695,820</u>	<u>\$ 716,040</u>

Year Ending September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 30,020	\$ 18,575	\$ 48,595
2014	30,800	17,795	48,595
2015	31,601	16,994	48,595
2016	32,423	16,172	48,595
2017	33,267	15,328	48,595
2018-2022	179,775	63,200	242,975
2023-2027	204,417	38,558	242,975
2028-2031	183,537	10,845	194,382
	<u>\$ 725,840</u>	<u>\$ 197,467</u>	<u>\$ 923,307</u>



**IMMOKALEE WATER & SEWER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2012 and 2011**

**NOTE G - LOANS PAYABLE - SRF, CONTINUED**

Loans payable - SRF related interest expense was \$17,320 and \$0 for the years ended September 30, 2012 and 2011, respectively. However, loan interest costs of \$0 and \$16,760 were capitalized for the years ended September 30, 2012 and 2011, respectively.

**NOTE H - BOND ANTICIPATION NOTE**

The following is a summary of the District's Bond Anticipation Note payable for the year ended September 30:

	<u>Amount</u>
Balances - September 30, 2011	\$ -
Principal retired	-
Bond proceeds	<u>1,788,316</u>
Balances - September 30, 2012	<u>\$ 1,788,316</u>

Bond Anticipation Note payable is comprised of the following at September 30:

	<u>2012</u>	<u>2011</u>
\$4,932,000 Bond Anticipation Note (BAN) payable, issued June 4, 2012 through a financial institution. Principal is payable June 4, 2014; interest payable semi-annually on October 30 and April 30 beginning October 30, 2012 at the rate of 3%; collateralized by first party lien on the USDA Rural Development, Takeout Commitment. In addition, the BAN is collateralized by a subordinate lien on the District's system revenues.	<u>1,788,316</u>	-
Total loans payable	1,788,316	-
Less current portion:	<u>-</u>	<u>-</u>
	<u>\$ 1,788,316</u>	<u>\$ -</u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012 and 2011**

**NOTE H - BOND ANTICIPATION NOTE, CONTINUED**

**Bond Anticipation Note Covenants**

The bond anticipation note covenants established certain covenants including such items as debt service coverage and reporting requirements. Management believes that it has complied, in all material respects, with these covenants, at September 30, 2012.

A summary of the bond anticipation note debt service requirements to maturity is as follows September 30:

Year Ending September 30	Principal	Interest	Total
2013	\$ -	\$ 53,649	\$ 53,649
2014	1,788,316	53,649	1,841,965
	<u>\$ 1,788,316</u>	<u>\$ 107,298</u>	<u>\$ 1,895,614</u>

Interest expense on the BAN was \$0 and \$0 for the years ended September 30, 2012 and 2011, respectively. No BAN debt interest expense was capitalized in either year.

**NOTE I - NOTES PAYABLE**

The following is a summary of the District's activity related to notes payable for the years ended September 30:

	<u>Amount</u>
Balances, September 30, 2010	\$ 205,948
Proceeds from issuance	-
Principal retired	<u>(107,493)</u>
Balances, September 30, 2011	98,455
Proceeds from issuance	-
Principal retired	<u>(98,455)</u>
Balances, September 30, 2012	<u>\$ -</u>

**IMMOKALEE WATER & SEWER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2012 and 2011**

**NOTE I - NOTES PAYABLE, CONTINUED**

Notes payable is comprised of the following at September 30:

	<u>2012</u>	<u>2011</u>
\$500,781 Notes payables, representing eleven (11) individual notes, for vehicles, principal and interest payable monthly over 60 months dated between October 26, 2006 and December 20, 2007 and collateralized by the respective vehicles. Interest rates ranged between 5.5% and 5.75% per year.	\$ -	\$ 98,455
Less: Current Portion	<u>-</u>	<u>(92,496)</u>
Long Term Portion	<u>\$ -</u>	<u>\$ 5,959</u>

The District incurred interest expense related to the notes payable for the years ended September 30, 2012 and 2011, in the amount of \$3,443 and \$9,077, respectively.

**NOTE J - LINE OF CREDIT**

During December 2010, the District entered an agreement with a financial institution to establish an uncollateralized \$1 million revolving Line of Credit (LOC) to be used for emergency situations. The LOC is available, although the District had not borrowed any funds from the LOC. The LOC required interest paid quarterly and principal at maturity. Interest accrues at Prime Rate. The LOC was due in full on December 17, 2011. The LOC maturity date was extended until April 30, 2013. Interest rate at September 30, 2012 was 3.25%.

**NOTE K - ACCRUED COMPENSATED ABSENCES**

Employees of the District are entitled to paid vacation based on length of service and job classification. Accrued compensated absences had the following activity for the year ended September 30:

	<u>Amount</u>
Accrued compensated absences, September 30, 2010	\$ 59,658
Net Increase	<u>3,663</u>
Accrued compensated absences, September 30, 2011	63,321
Net Increase	<u>3,734</u>
Accrued compensated absences, September 30, 2012	<u><u>\$ 67,055</u></u>

**NOTE L - COMMITMENTS AND CONTINGENCIES**

**Litigation**

The District, from time to time, is involved as a defendant and a plaintiff in certain litigation and claims arising in the ordinary course of operations. As such, the District maintains third party insurance coverages. In the opinion of legal counsel, the range of potential recoveries or liabilities will not materially affect the financial position of the District. The District intends to vigorously defend all claims unless first settled. Potential losses, if any, may be recoverable through insurance coverages.

**Federal Grants**

Grant monies received by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the District does not believe that such disallowances, if any, would have a material effect on the financial position of the District.

The operations of the District are dependent upon the condition of the District's facilities. These facilities are currently being rehabilitated and improved substantially through the receipt of federal funding. Loss or reduction of such funding would have a material effect on the operations of the District.

**NOTE L - COMMITMENTS AND CONTINGENCIES, CONTINUED**

**Federal Grants, continued**

During the year ended September 30, 2009, the District completed the upgrade of a water treatment plant from 2.5 million gallons per day to 4.0 million gallons per day. As such, the project was transferred from construction in progress to capital assets. Grant funding exceeded the cost of the project; therefore, USDA approved subsequent projects to allow the District to draw the remaining funds. During the fiscal year ended September 30, 2011, the District expended \$9,742 in grant funds on additional projects that were approved by USDA. At September 30, 2011, the District had fully expended the funds from the original \$3,000,000 grant.

During the year ended September 30, 2009, the District was approved for a \$4,932,000 loan (bond) and \$3,156,000 grant (CFDA #10.781) from USDA Rural Development for water and wastewater improvements. This funding is part of the Federal Stimulus Package. The loan will ultimately be funded by USDA as a refinancing bond issue once the District completes the renovation and expansion project. Therefore, the District must seek third party interim financing to initially fund the renovation and expansion costs. USDA loan can only be used to refinance a completed project. The USDA loan once funded will be repaid by operating revenue and a special assessment in the amount of \$1,060,900 which is set to begin in fiscal year ending September 30, 2014. The assessment is to be levied over a twenty (20) year period.

The grant proceeds can only be requested once the loan funds have been exhausted. During the year ended September 30, 2009, the District began the process of securing the third part financing. No third party financing agreement was entered at September 30, 2009. The scope of the project, however, has been approved by USDA. No bids have been let. The District, however, had incurred related preliminary engineering costs of \$217,331.

During the year ended September 30, 2010, the District incurred an additional \$450,542 in preliminary engineering costs. At September 30, 2010, the District had not secured the third party financing but had received bids from financial institutions. The District has also received bids for the construction; however, no contract had been awarded as of September 30, 2010.

**NOTE L - COMMITMENTS AND CONTINGENCIES, CONTINUED**

**Federal Grants, continued**

During the year ended September 30, 2011, the District incurred an additional \$179,727 in preliminary engineering and permitting costs. At September 30, 2011, the District had not secured the third party financing and construction contracts have not been let.

During the year ended September 30, 2012, the District did enter into a Bond Anticipation Note (BAN) Payable with a financial institution in the amount of \$4,932,000 to fund the initial costs of the project. The loan term are disclosed in detail in Note H.

During the year ended September 30, 2009, the District was approved for a \$2,735,112 grant/loan from EPA (CFDA#66.458) for drinking water improvements including supply, treatment, and distribution. The grant was passed through the Florida Department of Environmental Protections (FDEP) and is part of the Drinking Water State Revolving Fund (SRF). The award is part of the American Recovery and Reinvestment Act (ARRA) and is structured as a loan with 85% principal forgiveness. The District had expended \$2,763,421 in the project as of September 30, 2010 and was awarded an additional \$328,158 from the SRF which are not ARRA funds for the project in the form of a loan. The project was completed during the fiscal year ended September 30, 2011. The District has recorded \$2,324,845 as contributed capital (85%) and the balance of the awards (\$738,425) plus accrued interest and fees of \$16,760 as loans payable - SRF.

**Contracts**

During September, 2012, the District approved a contract for the acquisition of a sludge processing facility which will cost approximately \$2,000,000. The purchase of the facility is intended to reduce operating costs. The District is currently comparing financing options.

**IMMOKALEE WATER & SEWER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2012 and 2011**

**NOTE M - UNRESTRICTED NET ASSETS**

Unrestricted net assets consist of the following at September 30:

	2012	2011
Designated for emergencies	\$ 560,000	\$ 460,000
Designated for operations	2,501,146	2,497,721
Designated for vehicle replacement	267,025	217,025
Designated for capital equipment	215,865	224,444
Designated for maintenance reserve	1,182,877	942,822
Total Designated	4,726,913	4,342,012
Undesignated	4,054,556	2,989,771
Total unrestricted net assets	\$ 8,781,469	\$ 7,331,783

**NOTE N - RISK MANAGEMENT**

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

Insurance programs for general/professional liability, automobile, and property are through commercial insurance. The District retains the risk of loss, on insured claims, up to a deductible amount (ranging from \$1,000 to 5% of total insured value depending on the type of loss) with the risk of loss in excess of this amount transferred to the insurance carrier. Limits of general liability are \$1,000,000 per occurrence and \$2,000,000 in the aggregate. The District is third party insured for employee health as well as workers' compensation.

**NOTE O - SUBSEQUENT EVENT**

Effective November 1, 2012, the District implemented as IRS Code Section 457 Deferred Compensation Plan. Any District employee at least eighteen (18) years old and after completion of three (3) months continuous employment is eligible for Plan participation. Employer and employee contributions are permissible under the Plan.

**REQUIRED SUPPLEMENTARY  
INFORMATION  
OTHER THAN MD&A**



**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES -**  
**BUDGET (Non-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS**  
**Year ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance
<b>OPERATING REVENUES</b>				
Cross connection control fee	\$ 252,000	\$ 278,590	\$ 278,590	\$ -
Water service	2,244,634	2,425,186	2,425,186	-
Wastewater service	3,733,132	4,027,022	4,027,021	(1)
Meter service charge	464,161	493,946	493,946	-
Late fees	76,544	79,620	79,620	-
Reconnect and transfer fees	107,965	109,825	109,825	-
Miscellaneous charges, fees and other income	41,051	34,612	78,805	44,193
TOTAL OPERATING REVENUES	<u>6,919,487</u>	<u>7,448,801</u>	<u>7,492,993</u>	<u>44,192</u>
<b>OPERATING EXPENSES</b>				
<b>WATER PLANTS / DISTRIBUTION</b>				
Salaries and wages	493,970	475,504	475,502	2
Overtime	12,534	-	-	-
FICA	38,747	37,419	37,419	-
Unemployment taxes	4,480	5,080	5,080	-
Employer pension contribution	29,638	27,426	27,426	-
Health/life insurance	176,929	180,078	180,078	-
Workers' compensation	25,815	26,922	15,909	11,013
Travel and training	16,500	9,419	9,419	-
Telephone and fax	8,662	5,509	5,509	-
Electric	180,694	160,789	160,789	-
General liability insurance	14,439	14,649	14,649	-
Comprehensive auto insurance	7,835	7,835	7,835	-
Other insurance	64,975	64,975	64,975	-
Repairs and maintenance	137,867	88,113	63,114	24,999
Other contract services	41,986	52,044	27,044	25,000
Vehicle fuel	47,023	39,437	39,437	-
Vehicle maintenance	18,721	11,282	9,363	1,919
Licenses and permits	5,881	234	234	-
Chemicals	64,896	75,545	75,545	-
Other materials	75,983	99,893	54,899	44,994
Laboratory fees	28,950	35,049	35,049	-
Uniforms/clothing allowance	3,000	2,729	2,729	-
Memberships/periodicals/books	1,050	1,014	1,014	-
SUB-TOTAL WATER PLANTS/DISTRIBUTION	<u>1,500,575</u>	<u>1,420,945</u>	<u>1,313,018</u>	<u>107,927</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES -**  
**BUDGET (Non-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED**  
**Year ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance
<b>WASTEWATER PLANT</b>				
Salaries and wages	321,094	337,742	337,742	-
Overtime	15,270	6,083	6,083	-
FICA	25,732	26,025	26,025	-
Unemployment taxes	2,240	3,264	3,264	-
Employer pension contribution	19,266	17,059	17,059	-
Health/life insurance	95,263	102,485	102,485	-
Workers' compensation	12,220	12,416	12,416	-
Travel and training	9,000	3,967	3,967	-
Telephone and fax	3,052	2,744	2,744	-
Electric	207,224	176,386	176,386	-
Section 8 electric	14,510	12,036	12,036	-
General liability insurance	15,518	14,649	14,649	-
Comprehensive auto insurance	3,561	3,561	3,561	-
Other insurance	61,154	61,154	61,154	-
Section 8 field maintenance	23,268	-	-	-
Repairs and maintenance	101,740	102,577	70,407	32,170
Section 8 repairs	21,085	2,532	2,532	-
Other contract services	1,939	17,255	17,255	-
Vehicle fuel	16,017	13,824	13,824	-
Vehicle maintenance	11,601	4,004	-	4,004
Licenses and permits	2,141	600	600	-
Chemicals	21,416	27,176	27,176	-
Other materials	44,680	39,731	1,468	38,263
Laboratory fees	22,273	19,219	19,219	-
Residuals management	439,039	417,576	417,576	-
Uniforms/clothing allowance	1,750	1,288	1,288	-
Memberships/periodicals/books	524	531	531	-
<b>SUB-TOTAL WASTEWATER PLANT</b>	<u>1,512,577</u>	<u>1,425,884</u>	<u>1,351,447</u>	<u>74,437</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES -**  
**BUDGET (Non-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED**  
**Year ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance
<b>WASTEWATER COLLECTION</b>				
Salaries and wages	188,003	188,377	188,378	(1)
Overtime	4,460	1,475	1,475	-
FICA	14,723	14,190	14,190	-
Unemployment taxes	1,680	1,991	1,991	-
Employer pension contribution	11,280	10,182	10,182	-
Health/life insurance	60,848	64,208	64,208	-
Workers' compensation	7,046	7,437	7,437	-
Travel and training	7,500	2,776	2,776	-
Telephone and fax	1,768	1,284	1,284	-
Electric	43,845	30,019	30,019	-
General liability insurance	15,518	14,649	14,649	-
Comprehensive auto insurance	3,561	4,273	4,273	-
Other insurance	956	956	956	-
Repairs and maintenance	71,876	56,167	21,262	34,905
Other contract services	441	925	925	-
Vehicle fuel	16,174	14,885	14,885	-
Vehicle maintenance	13,432	5,864	5,486	378
Licenses and permits	578	100	100	-
Chemicals	1,090	1,090	-	1,090
Other materials	17,237	17,237	9,014	8,223
Uniforms/clothing allowance	1,250	628	628	-
Memberships/periodicals/books	346	289	289	-
<b>SUB-TOTAL WASTEWATER COLLECTION</b>	<u>483,612</u>	<u>439,002</u>	<u>394,407</u>	<u>44,595</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES -**  
**BUDGET (Non-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED**  
**Year ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance
CUSTOMER SERVICE / ADMIN				
Salaries and wages	415,008	410,655	410,655	-
Overtime	1,597	3,273	3,273	-
FICA	31,870	30,566	30,566	-
Unemployment taxes	3,640	4,202	4,202	-
Employer pension contribution	24,900	23,854	23,854	-
Health/life insurance	129,738	127,579	121,579	6,000
Workers' compensation	2,330	2,311	2,311	-
Legal services	37,000	35,000	30,000	5,000
Other professional services	1,500	32,000	-	32,000
Accounting/auditing	50,952	50,030	48,030	2,000
Engineering services	240,000	115,508	95,508	20,000
Engineering services/SRF	-	-	-	-
Travel and training	15,000	11,168	9,968	1,200
Telephone and fax	4,625	5,173	5,173	-
Postage and freight	40,418	39,021	39,021	-
General liability insurance	2,656	2,725	2,725	-
Comprehensive auto insurance	712	712	712	-
Other insurance	18,772	16,997	16,997	-
Other contract services	19,649	39,866	40,527	(661)
Repairs and maintenance	19,456	33,651	33,651	-
Vehicle fuel	551	339	339	-
Vehicle maintenance	1,260	1,125	1,125	-
Office supplies	30,292	17,537	17,537	-
Miscellaneous office expense	14,343	20,117	19,572	545
Miscellaneous bank fees	4,646	5,598	5,598	-
Miscellaneous expense	628	416	332	84
Advertising	3,101	3,316	3,316	-
Licenses and permits	242	935	935	-
Memberships/periodicals/books	7,759	5,983	5,983	-
<b>SUB-TOTAL CUSTOMER SERVICE / ADMIN</b>	<u>1,122,645</u>	<u>1,039,657</u>	<u>973,489</u>	<u>66,168</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES -**  
**BUDGET (Non-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED**  
**Year ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance
<b>MAINTENANCE</b>				
Salaries and wages	217,717	130,083	130,081	2
Overtime	7,910	-	-	-
FICA	17,260	9,956	9,956	-
Unemployment taxes	1,680	892	892	-
Employer pension contribution	13,063	11,942	11,942	-
Health/life insurance	48,550	55,009	55,009	-
Workers' compensation	8,226	8,331	8,331	-
Travel and training	6,000	4,919	4,919	-
Telephone and fax	2,051	1,927	1,927	-
General liability insurance	2,157	2,157	2,157	-
Comprehensive auto insurance	5,698	5,698	5,698	-
Repairs and maintenance	4,123	3,419	3,419	-
Other contract services	2,557	1,141	1,141	-
Vehicle fuel	10,925	8,888	8,888	-
Vehicle maintenance	15,364	6,268	6,233	35
Licenses and permits	968	968	-	968
Other materials	16,738	16,197	8,454	7,743
Uniforms/clothing allowance	1,500	882	882	-
Memberships/periodicals/books	397	240	240	-
SUB-TOTAL MAINTENANCE	<u>382,884</u>	<u>268,917</u>	<u>260,169</u>	<u>8,748</u>
<b>DEPRECIATION</b>				
Depreciation	<u>1,450,000</u>	<u>1,450,000</u>	<u>1,388,852</u>	<u>61,148</u>
SUB-TOTAL DEPRECIATION	<u>1,450,000</u>	<u>1,450,000</u>	<u>1,388,852</u>	<u>61,148</u>
TOTAL OPERATING EXPENSES	<u>6,452,293</u>	<u>6,044,405</u>	<u>5,681,382</u>	<u>363,023</u>
<b>OPERATING PROFIT</b>	<u>\$ 467,194</u>	<u>\$ 1,404,396</u>	<u>\$ 1,811,611</u>	<u>\$ 407,215</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUE AND EXPENSES -**  
**BUDGET (Non-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED**  
**Year ended September 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OPERATING PROFIT,</b>				
<b>BROUGHT FORWARD</b>	\$ 467,194	\$ 1,404,396	\$ 1,811,611	\$ 407,215
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	58,000	66,282	66,282	-
Contributed capital - grant - FDEP/EPA	-	-	-	-
Contributed capital - grant - USDA/FHA	3,156,000	3,156,000	-	(3,156,000)
Contributed capital - customers	28,982	23,000	23,658	658
Contributed capital - developers	70,000	26,000	27,834	1,834
Debt proceeds - USDA	4,481,458	4,481,458	-	(4,481,458)
Debt proceeds -FCB	-	1,885,000	1,788,316	(96,684)
Other non-operating revenue	49,299	45,467	1,276	(44,191)
Capital expenditures	(7,736,440)	(7,911,781)	(2,696,547)	5,215,234
Principal retirement - bonds	(419,760)	(2,304,759)	(382,000)	1,922,759
Principal retirement - vehicle notes	(92,496)	(92,496)	(98,455)	(5,959)
Maintenance reserve	(240,055)	(240,055)	-	240,055
Interest expense	(873,701)	(733,751)	(695,420)	38,331
Bad debt expense	(35,000)	(20,000)	(18,905)	1,095
Loss on disposal of assets	(25,000)	(25,000)	-	25,000
NET NON-OPERATING REVENUES (EXPENSES)	<u>(1,578,713)</u>	<u>(1,644,635)</u>	<u>(1,983,961)</u>	<u>(339,326)</u>
NET PROFIT (LOSS)	<u>\$ (1,111,519)</u>	<u>\$ (240,239)</u>	<u>\$ (172,350)</u>	<u>\$ 67,889</u>
<b>Reconciliation:</b>				
Net profit (loss) (Non-GAAP Budgetary Basis)			\$ (172,350)	
Loan proceeds			(1,788,316)	
Capital outlay			2,696,547	
Principal retirement - bonds			382,000	
Principal retirement - vehicle notes			<u>98,455</u>	
Increase in Net Assets (GAAP Basis)			1,216,336	
Net assets - beginning of the year			<u>21,696,252</u>	
Net assets - end of the year			<u>\$ 22,912,588</u>	

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended September 30, 2012**

<u>Grantor Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Revenue/ Receipts</u>	<u>Expenses/ Disbursements</u>
<b><u>U.S. Department of Agriculture - Rural Development</u></b>				
Type A Program				
ARRA-Water and Waste Disposal				
Systems for Rural Communities - Loan (WWDL) (Stimulus/ARRA)*	10.781	\$ 4,932,000	\$ -	\$ 1,874,139
ARRA-Water and Waste Disposal				
Systems for Rural Communities - Grant (WWDG) (Stimulus/ARRA)	10.781	<u>3,156,000</u>	<u>-</u>	<u>-</u>
		8,088,000	-	1,874,139
Water and Waste Disposal				
Systems for Rural Communities - Grant (WWDG)	10.760	<u>269,300</u>	<u>-</u>	<u>-</u>
		<u>\$ 8,357,300</u>	<u>\$ -</u>	<u>\$ 1,874,139</u>

\* To be initially funded through private funding sources, 2012 BAN payable.

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
**Year ended September 30, 2012**

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**NOTE A - BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards has been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and is in accordance with the provisions of Office of Management and Budget (OMB) Circular A-133, and the State of Florida, Rules of the Auditor General 10.550.

Expenditures reported on the Schedule of Expenditures of Federal Awards include cash disbursements, whether capitalized or expensed, during the fiscal year as well as grant related amounts recorded as payable at year end. Revenues reported on the Schedule of Expenditures of Federal Awards include cash receipts, whether recognized or deferred, as well as grant receivables recorded at year end.

**NOTE B - INDIRECT COSTS**

The District did not routinely allocate costs to Federal Awards. Costs charged to such programs were direct costs unless specifically incurred for the program and allowed and indicated as such.



**ADDITIONAL REPORTS OF  
INDEPENDENT AUDITOR**



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

Board of Commissioners  
Immokalee Water & Sewer District  
1020 Sanitation Road  
Immokalee, Florida 34142

We have audited the financial statements of Immokalee Water and Sewer District as of and for the year ended September 30, 2012, and have issued our report thereon dated January 15, 2013. 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 of America.

Internal Control Over Financial Reporting

Management of Immokalee Water and Sewer District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Immokalee Water and Sewer District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Immokalee Water and Sewer District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Immokalee Water and Sewer District's internal control over financial reporting.

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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the financial

**INTEGRITY ..... SERVICE ..... EXPERIENCE**

statements that is more than inconsequential will not be prevented or detected and corrected on a timely basis.

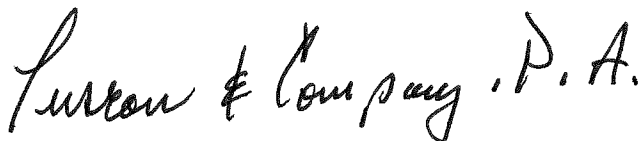
A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended solely for the information and use of the Board, Audit Committee, management, Federal and State awarding agencies, pass-through entities, the Auditor General of the State of Florida, and other Federal and State Audit agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.



TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 15, 2013



**TUSCAN**  
 & Company, PA

**Certified Public Accountants & Consultants**

Affiliations

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American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**Independent Auditor's Report on Compliance with Requirements  
 That Could Have a Direct and Material Effect on Each Major  
 Program and on Internal Control Over Compliance in Accordance  
 With OMB Circular A-133**

Board of Commissioners  
 Immokalee Water & Sewer District  
 1020 Sanitation Road  
 Immokalee, Florida 34142

Compliance

We have audited Immokalee Water & Sewer District's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Immokalee Water and Sewer District's major federal programs for the year ended September 30, 2012. Immokalee Water and Sewer District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Immokalee Water and Sewer District's management. Our responsibility is to express an opinion on Immokalee Water and Sewer District's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Immokalee Water and Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Immokalee Water and Sewer District's compliance with those requirements.

INTEGRITY ..... SERVICE ..... EXPERIENCE

In our opinion, Immokalee Water and Sewer District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of Immokalee Water and Sewer District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Immokalee Water and Sewer District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Immokalee Water and Sewer District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, in internal control, that adversely affects the entity's ability to administer a federal program such that there is a reasonable possibility that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented, or detected and corrected by the entity's internal control. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, Audit Committee, management, Federal and State awarding agencies, pass-through entities, the Auditor General of the State of Florida, and other Federal and State audit agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

*Tuscan & Company, P.A.*

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 15, 2013

**IMMOKALEE WATER & SEWER DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED  
 COSTS - FEDERAL AWARDS  
 Year ended September 30, 2012**

***Section I – Summary of Auditor’s Results***

Financial Statements

Type of auditor's report issued	Unqualified		
Internal control over financial reporting:			
Control deficiency(es) identified?	_____ Yes	_____ x	_____ No
Significant deficiency(es) identified?	_____ Yes	_____ x	_____ No
Material weaknesses?	_____ Yes	_____ x	_____ None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ x	_____ No

Federal Awards

Internal control over major programs:			
Internal control over financial reporting:			
Control deficiency(es) identified?	_____ Yes	_____ x	_____ No
Significant deficiency(es) identified?	_____ Yes	_____ x	_____ No
Material weaknesses?	_____ Yes	_____ x	_____ None reported
Type of auditors report issued on compliance for major programs	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	_____ Yes	_____ x	_____ No
Identification of major programs:			

CFDA

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.781	U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities - ARRA

Dollar threshold used to distinguish between Type A and Type B programs      Threshold used was \$300,000.

Auditee qualified as low-risk auditee?            x       Yes                         No

Listing of Subrecipients and amounts passed-through:      None - Not applicable

**IMMOKALEE WATER & SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED  
COSTS - FEDERAL AWARDS  
Year ended September 30, 2012**

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***Section II- Financial Statement Findings***

There were no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements.

***Section III- Federal Award Findings and Questioned Costs***

There were no audit findings related to federal awards required to be reported by OMB Circular A-133, Section 510(a).

***Section IV- Status of Federal Prior Year Findings***

There were no prior year findings required to be reported by OMB Circular A-133.

**Subgrantees**

There were no subgrantees during the year ended September 30, 2012.





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Private Companies Practice Section

Tax Division

**INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT**

Board of Commissioners  
Immokalee Water & Sewer District  
1020 Sanitation Road  
Immokalee, Florida 34142

We have audited the accompanying basic financial statements of Immokalee Water and Sewer District (the "District") as of and for the year ended September 30, 2012 and have issued our report thereon dated January 15, 2013.

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. We have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated January 15, 2013, should be considered in conjunction with this report to management.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter included the following information, which is not included in the aforementioned auditor's report:

- 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. The prior year comments 2010-1 and 2011-1 appear to have been resolved.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

INTEGRITY ..... SERVICE ..... EXPERIENCE

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No such recommendations were noted to improve financial management.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rule of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit if the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity 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.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a) Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), 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.

**CURRENT YEAR COMMENTS:**

No financially significant comments noted.

**PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:**

Prior year comments appear to have been resolved.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board, Audit Committee, management, federal and state awarding agencies, pass through entities, the Auditor General of the State of Florida and other federal and state agencies. This report is not intended to be and should not be used by anyone other than these specified parties.

*Tuscan & Company, P.A.*

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 15, 2013

**EXHIBIT**

Immokalee Water & Sewer District  
1020 Sanitation Road  
Immokalee, Florida 34142

(239) 658-3630  
FAX (239) 658-3634

# Immokalee Water & Sewer District

February 14, 2013

David W. Martin, CPA  
Auditor General, State of Florida  
Claude Denson Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

This letter is in response to the Management Letter in the District's Year Ending September 30, 2012 audit, performed by Tuscan & Company, P.A.; which was presented to the Board on February 20, 2013 and accepted by the Board on February 20, 2013.

We are pleased to note that the audit report reflected no current year or prior year comments which require management's response.

Management and staff of the District have worked diligently to resolve past audit comments to insure the financial stability of the District.

As usual, we have enjoyed working with Tuscan & Company P.A., during the course of our audit. The field personnel are always professional and knowledgeable. They understand the importance we place on accountability both to Rural Development and to the citizens of Immokalee, whom we serve.

Please contact our office if you have any questions.

Sincerely,



Eva J. Deyo, Executive Director