

**IMMOKALEE WATER & SEWER DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**TOGETHER WITH ADDITIONAL REPORTS**  
**YEARS ENDED**  
**SEPTEMBER 30, 2015 AND 2014**

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& Company, PA

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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

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of the business-type activities of Immokalee Water & Sewer District (an independent special district) ( the "District") as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly,

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we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Immokalee Water & Sewer District as of September 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I -XI 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 - management's discussion and analysis (MD&A) in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information - management's discussion and analysis (MD&A) because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Required Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Immokalee Water & Sewer District's basic financial statements. The required supplementary information other than MD&A - budgetary comparison information - Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Budgetary Basis) and Actual with Reconciliation to GAAP Basis - year ended September 30, 2015 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information other than MD&A - budgetary comparison information - Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Budgetary Basis) and Actual with Reconciliation to GAAP Basis - year ended September 30, 2015 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary information other than MD&A budgetary comparison information - Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Budgetary Basis) and Actual with Reconciliation to GAAP Basis - year ended September 30, 2015 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

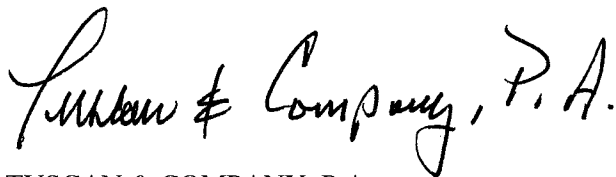
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Exhibit - Management's Response to Independent Auditor's Report to Management is not a required part of the basic financial statements but is required by Government Auditing Standards. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Section 218.415, Florida Statutes***

In accordance with Section 218.415, Florida Statutes, we have also issued a report dated January 15, 2016, on our consideration of Immokalee Water & Sewer District's compliance with provisions of Section 218.415, Florida Statutes. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and to provide an opinion on compliance with the aforementioned Statute. That report is an integral part of an audit performed in accordance with Sections 218.39 and 218.415, Florida Statutes in considering Immokalee Water & Sewer District's compliance with Section 218.415, Florida Statutes.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." in a cursive, flowing script.

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 15, 2016

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

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2015

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, 2015.

#### **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 position, a statement of revenues, expenses and changes in net position, 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.

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

The statement of revenues, expenses, and changes in net position 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 increase or decrease in net position for the fiscal year. The increase or decrease, combined with the net position at the end of the previous year, total to the net position 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

September 30, 2015

#### Condensed Financial Statement

Condensed financial information from the statements of net position and revenues, expenses and changes in net position for the years ended September 30, 2015 and 2014 are as follows:

	September 30,	
	2015	2014
Current and other assets	\$ 11,550,977	\$ 10,142,824
Capital assets, net	39,355,660	39,740,261
Total assets	<u>\$ 50,906,637</u>	<u>\$ 49,883,085</u>
Current liabilities	\$ 2,074,204	\$ 2,281,333
Long-term liabilities	17,518,522	18,053,950
Total liabilities	<u>19,592,726</u>	<u>20,335,283</u>
Net position:		
Net Investment in capital assets	21,392,272	21,257,272
Restricted	2,213,827	1,896,957
Unrestricted	7,707,812	6,393,573
Total net position	<u>31,313,911</u>	<u>29,547,802</u>
Total liabilities and net position	<u>\$ 50,906,637</u>	<u>\$ 49,883,085</u>
Operating revenue:		
Water service	\$ 2,723,616	\$ 2,565,219
Wastewater service	4,689,555	4,385,245
Meter service charges	585,006	557,015
Late fees	84,190	86,350
Reconnection /transfer fee	103,275	102,250
Miscellaneous revenue	55,613	109,860
Cross connection control fees	296,521	290,005
Total operating revenues	<u>8,537,776</u>	<u>8,095,944</u>
Operating expenses:		
Water treatment and distribution expense	1,634,913	1,415,712
Wastewater treatment expense	1,529,244	1,483,403
Wastewater collection expense	653,469	579,012
Customer service and administrative expense	1,058,560	1,037,259
Maintenance	346,322	355,758
Total operating expenses, excluding depreciation	<u>5,222,508</u>	<u>4,871,144</u>
Depreciation	1,737,470	1,441,269
Total operating expenses, including depreciation	<u>6,959,978</u>	<u>6,312,413</u>
Operating profit (loss)	1,577,798	1,783,531
Net nonoperating revenue/expense	<u>(697,272)</u>	<u>(739,649)</u>
Profit (loss) before capital grants	880,526	1,043,882
Capital grants and contributions	885,583	1,847,062
Increase (Decrease) in net position	1,766,109	2,890,944
Beginning of year net position	29,547,802	26,656,858
End of year net position	<u>\$ 31,313,911</u>	<u>\$ 29,547,802</u>

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2015

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, 2015.

#### **Financial Highlights**

- The District completed a rate study and adopted Resolution 12-04, which set forth rate increases effective October 1, 2012, October 1, 2013 and October 1, 2014.
- The District ended the year September 30, 2015, with a net position of \$31,313,911 of which \$21,392,272 represented the net investment in capital assets and \$7,707,812 was unrestricted. The ending net position was \$1,766,109 more than the net position at the beginning of the year. This was primarily the result of the implementation of the previous rate increases.
- The District had profit before capital contributions, for the years ended September 30, 2015 and 2014 of \$880,526 and \$1,043,882, respectively.
- 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 2.5% 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. The Series 2013 Bond had the lowest interest rate ever received by the District at 2.5%.
- 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, 2015 with cash and cash equivalents and investments of approximately \$9,737,309. However, only \$6,797,862 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 2015, cash and cash equivalents increased by \$1,466,228 compared to a decrease of \$(2,755,092) for the year ended September 30, 2014. This increase resulted primarily from not spending funds for District capital projects, or using proceeds from the USDA grant, such as was the case in 2014. The servicing of the District's debt resulted in the spending of over \$1,275,000. Over \$9,000,000 of the construction in progress from 2014 was related to the USDA WWTP Expansion. Over \$17,945,000 of the prior year construction in progress was reclassified in 2015 to Water and wastewater plants and systems.

IMMOKALEE WATER & SEWER DISTRICT

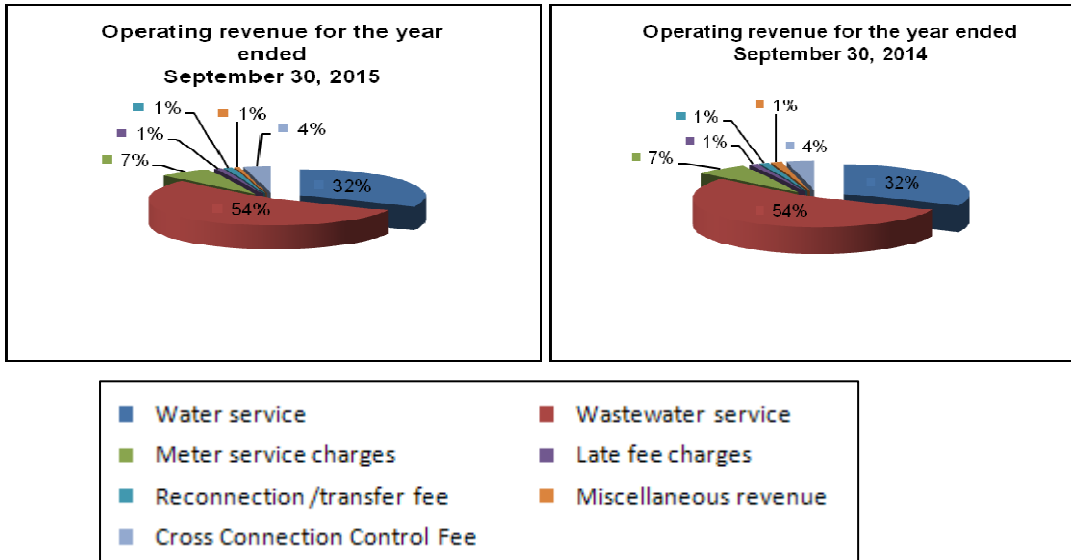
Required Supplementary Information

Management's Discussion and Analysis

September 30, 2015

- **Revenue**

The following charts show the major sources of operating revenues for the years ended September 30, 2015 and September 30, 2014:



As in previous years, the wastewater service revenues make up more than half of the revenues, accounting for with 54% in 2015 and 54 % in 2014. Water revenue accounted for 32% in 2015 and in 2014. Meter service charges, late fee charges, reconnection fees, cross connection control fees and miscellaneous revenues also remained constant between the two years.

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 national and local economy.

IMMOKALEE WATER & SEWER DISTRICT

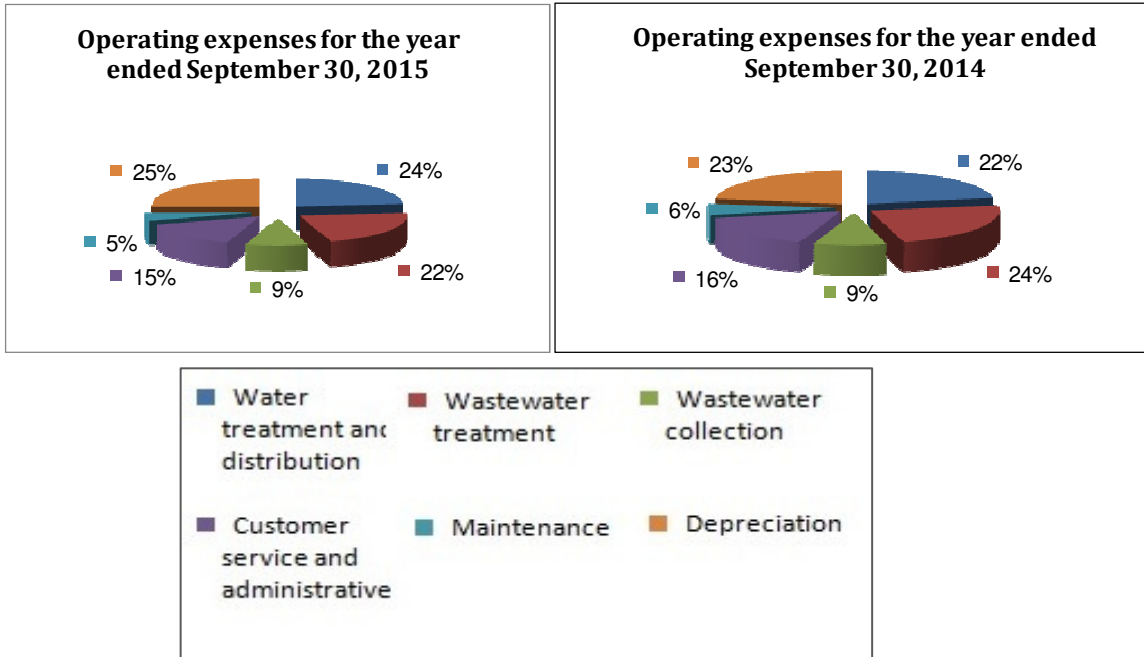
Required Supplementary Information

Management's Discussion and Analysis

September 30, 2015

**Expenses**

The following charges show the major sources of operating expenses for the years ended September 30, 2015 and September 30, 2014:



Due to the significant investments the District has in capital assets, depreciation continues to be one of the largest operating expenses at 25% of total operating expenses, an increase of 2%, from 2014. Unlike the other expenses listed, depreciation is not a cash expense.

The highest department by expenses is the water treatment and distribution department with twelve full time employees. The related expenses of 24% were an increase of 2% between 2015 and 2014. 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 2015, 100% of the meters are now automated.

The second largest department, by expenses, at 22% of total expenses is for wastewater treatment, which decreased by 2% between 2015 and 2014. This department is one of the largest, with eight full time employees and one part time employee. One of the largest expenses, excluding salaries and benefits, in this department is Residuals Management, which accounted for over \$102,000 in expenses in 2015. This expense was reduced due to

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2015

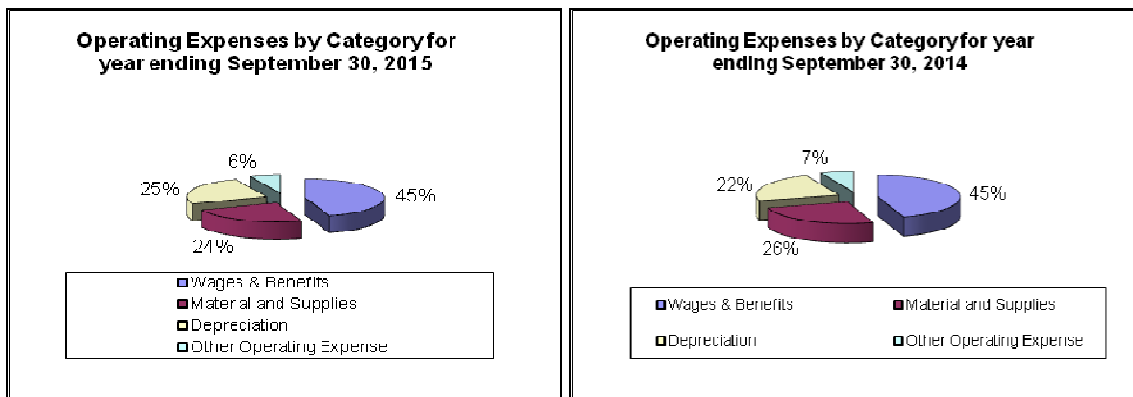
the Schwing Bioset project, which was completed in May 2014. The expenses were over \$400,000 per year before the project was completed.

The third largest department is the administration department, which consists of nine full time employees. The related expenses decreased to 14% of total expenses in 2015 from 16% in 2014. 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. This continued into the 2015 fiscal year.

The next largest department by expenses is the wastewater collection department, which consists of five full time employees. The related expenses were constant at 9% for 2015 and 2014.

The smallest department is the maintenance department, which was created in fiscal year 2004 to reduce maintenance-related expenses from third-party vendors. It consists of five full time employees. It decreased by one percent to 5% of total expenses in 2015, from 6% in 2014. Labor costs in this department, except for those relating to the supervisor, are charged to the appropriate departments, based on the maintenance projects they are working on.

Expenses by category are depicted in the charts below for 2015 and 2014.



Wages and benefits stayed constant at 45% of the expenses in 2015, making it the highest expense category. Materials and supplies decreased by two percent to 24%. Depreciation expense increased by three percent to 25%, and other operating expenses decreased by one percent to 6%.

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2015

The District continues to monitor costs. During the 2015 fiscal year, the District gave a 2.1% cost of living increase to the employees, and did give merit increases, based on evaluations. We also allowed promotions for those employees that met the specified criteria and training. 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 District to access 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.

### **General Fund Budgetary Highlights**

Over the course of the year, the Board of Commissioners amended the District budget three times. These budget amendments were done primarily to a) decrease capital funding primarily related to the FDEP SRF Project and Loans, and b) to increase revenue, decrease operating expenses, increase capital expenditures, increase debt service, and adjust designated funds.

#### Original to Final Budget Variance

Total operating revenues were increased by approximately \$255,000 (or 2.9%) more than originally budgeted, and total operating expenses, excluding depreciation expense, was decreased by over \$649,000 (or 10.9%).

Contributed capital – customers was increased by over \$66,000. Contributed capital – developers, was increased by over \$573,000, and other non-operating revenue were decreased by over \$9,200.

#### Final Budget to Actual Variance

Total operating revenue was approximately \$175,000 less than budgeted.

Over the five departments, approximately \$105,000 in budgeted operating expenses were not expended.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2015

**Capital Assets**

The District's net capital assets as of September 30, 2015 and 2014 amounted to \$39,355,660 and \$39,740,261 (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>2015</u>	<u>2014</u>
Construction in progress	\$ (17,945,475)	\$ 4,901,558
Buildings and improvements	-	9,995
Water and wastewater plants and systems	18,719,772	7,004
Machinery and equipment	390,845	307,335
	<u>\$ 1,165,142</u>	<u>\$ 5,225,892</u>

Construction in progress in prior years was reclassified for 2015 to Water and wastewater plants and systems.

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 Years 2015 and 2014, we used our own personnel to continue the meter replacement program.

**Debt**

As of September 30, 2015, the District had \$17,329,969 of revenue bonds outstanding. The total amount outstanding for these categories of debt decreased, to reflect payments made by the District in the amount of \$488,000.

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2015

#### **Unrestricted Net Assets**

As of September 30, 2015, the District had designated \$5,903,842 in unrestricted net assets, as recommended by their auditor. The District designated \$860,000 for emergencies, \$2,673,344 for operations, \$276,353 for vehicle replacement, \$191,103 for capital equipment, and \$1,903,402 for maintenance reserve. The District still had 1,803,970 in undesignated net assets at the end of 2015.

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

Rate Increase: 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. On October 1, 2014 there was an approximate 3% increase implemented.

Residential - There are several residential developments that are expected to impact the 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 had been delayed due to the impact of the nationwide housing market. The developers have discussed adding another 220 homes to the system during the next year.

**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 work for the Faith PUD, which included an additional 175 homes; and the Kaicasa PUD, which will consist of 400 homes. Habitat did say that they were renewing their irrigation permit on the Kaicasa PUD. This is the last place that they own in Immokalee to build homes.

**United Church Homes** - Immokalee Senior Housing PUD, completed and connected their 119 multi-family unit on North Eleventh Street.

**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, 2015

#### 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 did not materialize 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 had 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 completed construction on the new Bethune Education Center. Collier County Parks began the upgrade of their South Park Community Center. We were approached by Barron Collier regarding a “big-box” application for the intersection of Westclox and HWY 29. We completed the sewer line for the “Big Box” as well as for the new Suncoast Schools Federal Credit Union stand alone banking center, and the units in between. To date there has been no other information regarding the “Big Box”. Family Dollar has completed a new building on New Market Road. The Seminole Tribe – Casino approached the District to begin the process of taking over their existing Casino as well as their new Hotel. They connected to our system in December 2014. A new Family Dollar and Taco Bell were completed in 2015 on North 15<sup>th</sup> Street. The Boys and Girls Club is planning to build a center in Immokalee on Roberts Avenue. They expect to begin construction in 2016. First 1 Bank is looking into building a new facility on North 15<sup>th</sup> Street, also.

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 that 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. We also approved break-out projects relating the A/C line removals.

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 completed in 2013. We

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2015

began upgrades on Lift Station's F, I, V, T and a forcemain and new Lift Station I-2 for the new credit union building, up to the Westclox / Hwy 29 Intersection.

Our Wastewater Expansion Project began construction during 2012. It included an expansion from 2.5 mgd to 3.25 mgd at the existing wastewater facility. It also included a sewer force main from Arrowhead PUD to the wastewater plant. It was completed in 2014.

We began the process of switching our Residuals Management process to the Schwing Bioset Process. During 2013 we had begun the building permit process. It was completed in May 2014. This project has significantly reduced our residuals management expenses.

#### **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 POSITION**  
**September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 5,735,710	\$ 4,549,422
Investment	1,062,152	1,048,832
Accounts receivable, net	510,580	460,825
Other receivables	6,311	24,353
Inventory	297,906	350,875
Prepaid expenses	<u>44,068</u>	<u>41,158</u>
TOTAL CURRENT ASSETS	<u>7,656,727</u>	<u>6,475,465</u>
<b>RESTRICTED ASSETS</b>		
Cash	2,939,447	2,659,507
Grant and assessment receivables	<u>954,803</u>	<u>1,007,852</u>
TOTAL RESTRICTED ASSETS	<u>3,894,250</u>	<u>3,667,359</u>
<b>CAPITAL ASSETS</b>		
Capital assets not being depreciated:		
Land	2,645,941	2,645,941
Construction in progress	283,183	18,228,658
Capital assets being depreciated:		
Buildings and improvements	1,509,938	1,509,938
Water and wastewater plants and systems	61,321,071	42,601,299
Machinery and equipment	2,932,654	2,541,809
Less:		
Accumulated depreciation	<u>(29,337,127)</u>	<u>(27,787,384)</u>
	<u>39,355,660</u>	<u>39,740,261</u>
TOTAL ASSETS	<u>\$ 50,906,637</u>	<u>\$ 49,883,085</u>

The accompanying notes are an integral part of this statement.

	<u>2015</u>	<u>2014</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts and contracts payable	\$ 316,320	\$ 450,887
Other accrued expenses	<u>77,461</u>	<u>60,044</u>
TOTAL CURRENT LIABILITIES	<u>393,781</u>	<u>510,931</u>
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Revenue bonds payable, current portion	513,000	488,000
Loans payable - SRF, current portion	32,423	31,601
Accrued revenue bond interest	56,918	58,719
Retainage payable	-	163,302
Customer deposits	<u>1,078,082</u>	<u>1,028,780</u>
TOTAL CURRENT LIABILITIES (Payable from Restricted Assets)	<u>1,680,423</u>	<u>1,770,402</u>
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds payable, net of current portion	16,816,969	17,329,969
Loans payable - SRF, net of current portion	600,996	633,419
Accrued compensated absences	<u>100,557</u>	<u>90,562</u>
TOTAL LONG-TERM LIABILITIES	<u>17,518,522</u>	<u>18,053,950</u>
TOTAL LIABILITIES	<u>19,592,726</u>	<u>20,335,283</u>
<b>NET POSITION</b>		
Net investment in capital assets	21,392,272	21,257,272
Restricted	2,213,827	1,896,957
Unrestricted	<u>7,707,812</u>	<u>6,393,573</u>
TOTAL NET POSITION	<u>31,313,911</u>	<u>29,547,802</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 50,906,637</u>	<u>\$ 49,883,085</u>

**IMMOKALEE WATER & SEWER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Years ended September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Cross connection control fee	\$ 296,521	\$ 290,005
Water service	2,723,616	2,565,219
Wastewater service	4,689,555	4,385,245
Meter service charge	585,006	557,015
Late fees	84,190	86,350
Reconnect and transfer fees	103,275	102,250
Miscellaneous charges, fees and other income	<u>55,613</u>	<u>109,860</u>
TOTAL OPERATING REVENUES	<u>8,537,776</u>	<u>8,095,944</u>
<b>OPERATING EXPENSES</b>		
Water treatment and distribution	1,634,913	1,415,712
Wastewater treatment	1,529,244	1,483,403
Wastewater collection	653,469	579,012
Customer service and administrative	1,058,560	1,037,259
Maintenance	<u>346,322</u>	<u>355,758</u>
TOTAL OPERATING EXPENSES		
PRIOR TO DEPRECIATION	5,222,508	4,871,144
Depreciation	<u>1,737,470</u>	<u>1,441,269</u>
TOTAL OPERATING EXPENSES	<u>6,959,978</u>	<u>6,312,413</u>
OPERATING PROFIT (LOSS)	<u>1,577,798</u>	<u>1,783,531</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	47,692	51,012
Loss on disposal of fixed assets	(1,914)	(4,538)
Interest expense	(754,245)	(775,798)
Bad debt expense adjustment	(31,249)	(10,503)
Other income	<u>42,444</u>	<u>178</u>
NET NON-OPERATING EXPENSES	<u>(697,272)</u>	<u>(739,649)</u>
PROFIT (LOSS) BEFORE CAPITAL		
CONTRIBUTIONS	880,526	1,043,882
<b>CAPITAL CONTRIBUTIONS</b>		
USDA - grants	380,506	537,948
Customers	505,077	1,092,158
Developers	<u>-</u>	<u>216,956</u>
TOTAL CAPITAL CONTRIBUTIONS	<u>885,583</u>	<u>1,847,062</u>
INCREASE (DECREASE) IN NET POSITION	1,766,109	2,890,944
<b>NET POSITION - Beginning of the year</b>	<u>29,547,802</u>	<u>26,656,858</u>
<b>NET POSITION - End of the year</b>	<u>\$ 31,313,911</u>	<u>\$ 29,547,802</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years ended September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 8,524,116	\$ 8,142,656
Cash payments to suppliers and employees	<u>(5,279,604)</u>	<u>(4,972,058)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,244,512</u>	<u>3,170,598</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING:</b>		
Other income received	<u>42,444</u>	<u>178</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING	<u>42,444</u>	<u>178</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(1,518,085)	(5,716,650)
Proceeds from sale of capital assets	-	-
Principal paid on revenue bonds	(488,000)	(420,000)
Principal paid on LOC	-	-
Principal paid on bond anticipation note (BAN)	-	-
Principal paid on loans - SRF	(31,601)	(30,800)
Interest paid on bonds and other obligations	(756,046)	(777,434)
Proceeds from Series 2013 Bond	-	-
Proceeds from bond anticipation note (BAN)	-	-
Capital contributions - USDA	380,506	679,873
Membership/customer/developer connection fees/assessment	<u>558,126</u>	<u>301,262</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,855,100)</u>	<u>(5,963,749)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Interest earned on investments	34,372	37,881
Purchase of certificate of deposit	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>34,372</u>	<u>37,881</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,466,228	(2,755,092)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>7,208,929</u>	<u>9,964,021</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 8,675,157</u>	<u>\$ 7,208,929</u>

The accompanying notes are an integral part of this statement.

	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
<b>OPERATING PROFIT (LOSS)</b>	<u>\$ 1,577,798</u>	<u>\$ 1,783,531</u>
Adjustments to reconcile operating profit to net cash provided by operating activities:		
Depreciation (non cash)	1,737,470	1,441,269
Increase (decrease) in accrued compensated absences (non cash)	9,995	23,063
(Increase) decrease in accounts receivable, net	(81,004)	(14,520)
(Increase) decrease in other receivables	18,042	(18,766)
(Increase) decrease in inventory	52,969	(42,067)
(Increase) decrease in prepaid expenses	(2,910)	249,001
Increase (decrease) in accounts payable	(134,567)	(341,549)
Increase (decrease) in contracts payable	-	-
Increase (decrease) in other accrued expenses	17,417	10,637
Increase (decrease) in customer deposits	<u>49,302</u>	<u>79,999</u>
<b>TOTAL ADJUSTMENTS</b>	<u>1,666,714</u>	<u>1,387,067</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 3,244,512</u>	<u>\$ 3,170,598</u>

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

**Organization**

Immokalee Water & Sewer District (the "District") was created by Laws of Florida, (Section) 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. On June 10, 2015, Laws of Florida, Chapter 2015-205 amended Laws of Florida, Chapter 98-495 to provide for salaries/honorariums for elected Board members up to \$250 each per month.

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 (the "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" and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34". 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



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

**Reporting Entity, continued**

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 dependency. Based on this criteria, there are no component units included or required to be 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 Position.

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

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

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position) 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.

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, Expenses and Changes in Net Position 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.

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

**Government-Wide Financial Statements, continued**

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).

**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.

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

**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 position. 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.

**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.

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

**Budgetary Process, continued**

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, 2015 to increase total budgeted net operating revenue by \$1,214,359 and an increase in budgeted expenses (including net non-operating revenue and expense) by \$3,247,319. This change resulted in a budgeted net profit decrease of \$2,032,960.

**Cash**

For the purpose of the Statements 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.

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

**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.

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.

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

**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 only, vacation is accrued and paid at 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.

**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 to 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.

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

**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, 2016, which is the date the basic financial statements were available to be issued.

**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. Only GASB pronouncements issued after this date will be adopted by the District.

**Accounting Pronouncement GASB No. 42**

The District adheres to Government Accounting Standards Board Statement Number 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" (GASB 42). GASB 42 establishes accounting and financial reporting standards for impairment of capital assets.



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

**Accounting Pronouncement GASB No. 42, continued**

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of a capital asset, and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

The District incurred no capital asset impairment activity for the years ended September 30, 2015 or 2014.

**NOTE B - CASH AND INVESTMENTS**

At September 30, 2015 and 2014, cash and cash equivalents (including both restricted and unrestricted cash and cash equivalents) were \$8,675,157 and \$7,208,929 respectively, including unrestricted cash on hand of \$3,400 and \$2,635, 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."

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014**

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

**Deposits, continued**

	Insured/ Collateralized	Bank Balance	Carrying Amount
<u>September 30, 2015</u>			
Unrestricted			
Depository accounts	\$ 273,330	\$ 273,330	\$ 287,290
Money market	<u>5,445,020</u>	<u>5,445,020</u>	<u>5,445,020</u>
	<u>5,718,350</u>	<u>5,718,350</u>	<u>5,732,310</u>
Restricted			
Depository accounts	1,101,066	1,101,066	1,101,066
Money market	<u>1,838,381</u>	<u>1,838,381</u>	<u>1,838,381</u>
	<u>2,939,447</u>	<u>2,939,447</u>	<u>2,939,447</u>
	<u>\$ 8,657,797</u>	<u>\$ 8,657,797</u>	<u>\$ 8,671,757</u>
 <u>September 30, 2014</u>			
Unrestricted			
Depository accounts	\$ 294,904	\$ 294,904	\$ 190,354
Money market	<u>4,356,433</u>	<u>4,356,433</u>	<u>4,356,433</u>
	<u>4,651,337</u>	<u>4,651,337</u>	<u>4,546,787</u>
Restricted			
Depository accounts	1,019,531	1,019,531	1,019,531
Money market	<u>1,639,976</u>	<u>1,639,976</u>	<u>1,639,976</u>
	<u>2,659,507</u>	<u>2,659,507</u>	<u>2,659,507</u>
	<u>\$ 7,310,844</u>	<u>\$ 7,310,844</u>	<u>\$ 7,206,294</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).

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014**

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

**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>2015</u>	<u>2014</u>
Construction account	\$ 8,139	\$ 8,109
Bond sinking fund reserve	1,494,259	1,350,609
Department of Environmental Protection- Deep Well Injection Reserve	231,515	230,360
Customer deposits	1,077,913	1,000,500
Loan debt service	20,653	16,531
Special assessment collections	106,968	53,398
	<u>\$ 2,939,447</u>	<u>\$ 2,659,507</u>

**Investments**

Florida Statutes and the District's investment policy authorize investments in certificates of deposit (CD's). 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 \$1,062,152 and \$1,048,832 (bank and book balance) invested in certificates of deposit at September 30, 2015 and 2014, respectively. The CDs carried interest rates of 2.20% and .8% at September 30, 2015. The CDs mature on December 4, 2017 and July 12, 2017, respectively.

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at September 30:

	<u>2015</u>	<u>2014</u>
Customer receivables (water/sewer)	\$ 604,332	\$ 523,339
Less allowance for doubtful accounts	(93,752)	(62,514)
Net receivables	<u>\$ 510,580</u>	<u>\$ 460,825</u>

**IMMOKALEE WATER & SEWER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015 and 2014**

**NOTE D - GRANT AND ASSESSMENT RECEIVABLES**

Grant and assessment receivables consisted of the following at September 30:

	<u>2015</u>	<u>2014</u>
Grant - CFDA 10.781	\$ -	\$ -
Special Assessment	<u>954,803</u>	<u>1,007,852</u>
	<u>\$ 954,803</u>	<u>\$ 1,007,852</u>

The District levied a special assessment of \$1,060,900 on system users benefitting from the system improvements funded by the \$4,932,000 Series 2013 Revenue Bonds during the year ended September 30, 2014. The assessment was initially levied through the Collier County Tax Collector on November 1, 2013. The assessment is a one time assessment payable in full or over 20 years by the affected system users. The special assessment had the following activity for the years ended September 30:

	<u>2015</u>	<u>2014</u>
Balance, October 1	\$ 1,007,852	\$ -
Assessment levied	-	1,060,900
Collections	<u>(53,049)</u>	<u>(53,048)</u>
	<u>\$ 954,803</u>	<u>\$ 1,007,852</u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014**

**NOTE E - CAPITAL ASSET ACTIVITY**

The following is a summary of changes in capital asset activity for the year ended September 30, 2015:

	Balance October 1 2014	Additions	Retirements	Adjustments/ Reclassifications	Balance September 30 2015
Capital Assets Not					
Being Depreciated:					
Land	\$ 2,645,941	\$ -	\$ -	\$ -	\$ 2,645,941
Construction in Progress	<u>18,228,658</u>	<u>613,982</u>	<u>-</u>	<u>(18,559,457)</u>	<u>283,183</u>
Total Capital Assets Not					
Being Depreciated	<u>20,874,599</u>	<u>613,982</u>	<u>-</u>	<u>(18,559,457)</u>	<u>2,929,124</u>
Capital Assets					
Being Depreciated:					
Buildings & Improvements	1,509,938	-	-	-	1,509,938
Water and Wastewater					
Plant and Systems	42,601,299	335,233	(174,918)	18,559,457	61,321,071
Machinery & Equipment	<u>2,541,809</u>	<u>405,568</u>	<u>(14,723)</u>	<u>-</u>	<u>2,932,654</u>
Total Capital Assets					
Being Depreciated	<u>46,653,046</u>	<u>740,801</u>	<u>(189,641)</u>	<u>18,559,457</u>	<u>65,763,663</u>
Less Accumulated					
Depreciation:					
Buildings & Improvements	(690,207)	(37,750)	-	-	(727,957)
Plant and Systems	(24,941,328)	(1,357,479)	154,368	-	(26,144,439)
Machinery & Equipment	<u>(2,155,849)</u>	<u>(342,241)</u>	<u>33,359</u>	<u>-</u>	<u>(2,464,731)</u>
Total Accumulated Depreciation	<u>(27,787,384)</u>	<u>(1,737,470)</u>	<u>187,727</u>	<u>-</u>	<u>(29,337,127)</u>
Capital Assets, Net	<u>\$ 39,740,261</u>	<u>\$ (382,687)</u>	<u>\$ (1,914)</u>	<u>\$ -</u>	39,355,660
				Related debt	<u>(17,963,388)</u>
			Net investment in capital assets		<u>\$ 21,392,272</u>

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

The depreciation expense for the years ended September 30, 2015 and 2014 was \$1,737,470 and \$1,441,269 respectively. During the years ended September 30, 2015 and 2014, the District continued construction on its system-wide improvements. The District capitalized interest on the project in the amount of \$0 and \$0 for the years ended September 30, 2015 and 2014.

**NOTE F - RETIREMENT PLANS**

**Plan Description and Provisions**

Section 401(a) Plan

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 up to \$3,000. If the employee desires to defer more than \$3,000 they can defer those amounts into the IRC Section 457 Plan. 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, 2015, 2014, and 2013, the District contributed 100% of its required contributions.

The District's gross contributions (employer portion) to the plan for the years ended September 30, 2015, 2014 and 2013 were \$118,336, \$110,052, and \$99,641, respectively. Employee contributions to the plan were \$58,312, \$53,527 and \$49,378, respectively for the years ended September 30, 2015, 2014, and 2013, respectively.

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

**NOTE F - RETIREMENT PLANS, CONTINUED**

**Plan Description and Provisions, continued**

years of creditable service. A creditable year of service is defined as a year in which an eligible participant completes 1,000 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.

**Section 457 Plan**

Effective November 1, 2012, the District approved a resolution to establish a Deferred Compensation Plan to be made available to all eligible District employees pursuant to Section 457 of the Internal Revenue Code (IRC). The Plan is administered by a third party administrator. The employer funds substantially all administrative costs of the plan. All contributions made to the plan are voluntary deductions from employees' wages, with no contributions to the plan made by the District. Employees are eligible to participate after 3 months employment and attainment of age 18. Deferral amounts are limited per IRS Code Section 457(e)(15). For the year ended September 30, 2015 the limit was \$18,000. Employees are immediately vested in their salary deferral amounts.

**NOTE G - 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, 2013	\$ 18,237,969
Principal retired	(420,000)
Bonds issued	<u>-</u>
Balances - September 30, 2014	17,817,969
Principal retired	(488,000)
Bonds issued	<u>-</u>
Balances - September 30, 2015	<u>\$ 17,329,969</u>

**IMMOKALEE WATER & SEWER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015 and 2014**

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

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

	<u>2015</u>	<u>2014</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.	\$ 550,000	\$ 640,000
\$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.	191,000	228,000
\$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.	286,969	307,969



**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014**

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

	<u>2015</u>	<u>2014</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.	2,409,000	2,506,000
\$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.	161,000	167,000
\$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.	3,205,000	3,296,000
\$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.	629,000	644,000

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014**

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

	<u>2015</u>	<u>2014</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.	1,890,000	1,928,000
\$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.	3,124,000	3,169,000
\$4,932,000 Series 2013, Water and Sewer Revenue Bonds, issued March 1, 2013 through USDA Rural Development. Principal and interest are payable annually beginning September 1, 2015 through September 1, 2052; interest payable annually at the rate of 2.5%; collateralized by the gross operating revenues of the system and a special assessment levied on the lands benefited by the system.	4,884,000	4,932,000
	17,329,969	17,817,969
Less: current portion (due in one year)	(513,000)	(488,000)
Long-term portion	<u>\$16,816,969</u>	<u>\$17,329,969</u>

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

**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, 2015 and 2014, were maintained and are reflected as restricted deposits within these financial statements.

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 513,000	\$ 716,285	\$ 1,229,285
2017	538,000	692,313	1,230,313
2018	563,000	667,163	1,230,163
2019	589,000	640,830	1,229,830
2020	616,000	613,262	1,229,262
2021 - 2025	2,619,000	2,693,386	5,312,386
2026 - 2030	3,111,969	2,050,293	5,162,262
2031 - 2035	3,941,000	1,304,513	5,245,513
2036 - 2040	1,801,000	700,659	2,501,659
2041 - 2045	1,527,000	377,635	1,904,635
2046 - 2050	1,146,000	129,988	1,275,988
2051 - 2052	365,000	13,775	378,775
	<u>\$ 17,329,969</u>	<u>\$ 10,600,102</u>	<u>\$ 27,930,071</u>

Revenue bond debt interest expense was \$737,251 and \$758,002 for the years ended September 30, 2015 and 2014, respectively. No revenue bond debt interest expense was capitalized in either year.

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014**

**NOTE H - 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, 2013	\$ 388,712	\$ 307,108	\$ 695,820
Proceeds	-	-	-
Principal retired	<u>(15,499)</u>	<u>(15,301)</u>	<u>(30,800)</u>
Balance-September 30, 2014	373,213	291,807	665,020
Principal retired	<u>(15,902)</u>	<u>(15,699)</u>	<u>(31,601)</u>
Balance-September 30, 2015	<u>\$ 357,311</u>	<u>\$ 276,108</u>	<u>\$ 633,419</u>

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

	<u>2015</u>	<u>2014</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 is payable in forty (40) semi-annual payments of \$13,660 in May and November beginning November 15, 2011. Final payment due May 2031. The loan is collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	\$ 357,311	\$ 373,213
\$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. Final payment date May 2031. 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>276,108</u>	<u>291,807</u>
Total loans payable	633,419	665,020
Less current portion:	<u>(32,423)</u>	<u>(31,601)</u>
	<u>\$ 600,996</u>	<u>\$ 633,419</u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014**

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

Year Ending September 30	Principal	Interest	Total
2016	\$ 32,423	\$ 16,172	\$ 48,595
2017	33,267	15,328	48,595
2018	34,132	14,463	48,595
2019	35,020	13,575	48,595
2020	35,931	12,664	48,595
2021 - 2025	194,178	48,798	242,976
2026-2030	220,799	22,177	242,976
2031	47,669	927	48,596
	<u>\$ 633,419</u>	<u>\$ 144,104</u>	<u>\$ 777,523</u>

Loans payable - SRF related interest expense was \$16,994 and \$17,796 for the years ended September 30, 2015 and 2014, respectively. No loan interest costs were capitalized in either year.

**NOTE I - LINE OF CREDIT**

On October 15, 2015, 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 for the year ended September 30, 2015 or 2014. The LOC required interest paid quarterly and principal at maturity. Interest accrues at Prime Rate plus .50% with a floor rate of 3.75%. The LOC is due in full on October 15, 2016. Interest rate at September 30, 2015 was 3.75%.

**NOTE J - 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, 2013	\$ 67,499
Net Increase	<u>23,063</u>
Accrued compensated absences, September 30, 2014	90,562
Net Increase	<u>9,995</u>
Accrued compensated absences, September 30, 2015	<u><u>\$ 100,557</u></u>

**NOTE K - 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.

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014**

**NOTE L - NET ASSETS**

Restricted net assets consist of the following at September 30:

	<u>2015</u>	<u>2014</u>
Restricted assets	\$ 3,894,250	\$ 3,667,359
Less: liabilities payable from restricted cash	<u>(1,680,423)</u>	<u>(1,770,402)</u>
	<u>\$ 2,213,827</u>	<u>\$ 1,896,957</u>

Unrestricted net assets consist of the following at September 30:

	<u>2015</u>	<u>2014</u>
Designated for emergencies	\$ 860,000	\$ 760,000
Designated for operations	2,673,344	2,635,850
Designated for vehicle replacement	276,353	252,851
Designated for capital equipment	191,103	209,053
Designated for maintenance reserve	<u>1,903,042</u>	<u>1,662,987</u>
Total Designated	5,903,842	5,520,741
Undesignated	<u>1,803,970</u>	<u>872,832</u>
Total unrestricted net assets	<u>\$ 7,707,812</u>	<u>\$ 6,393,573</u>

**NOTE M - 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 0% 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. The District is third party insured for employee health as well as workers' compensation.

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014**

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**NOTE N - SUBSEQUENT EVENTS**

The District has applied for funding of \$20,000,000 from USDA to fund the cost of upgrading certain existing water lines within the District. If approved, the project is expected to begin in fiscal year 2016 and last approximately 24 months. The funding is expected to consist of a combination of grants and loans. The loan is expected to contain an interest rate of approximately 2.5%



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

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN**  
**NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS**  
**Year ended September 30, 2015**

	Original Budget	Final Budget	Actual	Variance
<b>OPERATING REVENUES</b>				
Cross connection control fee	\$ 289,000	\$ 296,521	\$ 296,521	\$ -
Water service	2,720,478	2,723,616	2,723,616	-
Wastewater service	4,626,397	4,689,555	4,689,555	-
Meter service charge	580,807	585,006	585,006	-
Late fees	86,000	84,190	84,190	-
Reconnect and transfer fees	105,000	103,275	103,275	-
Miscellaneous charges, fees and other income	50,000	231,167	55,613	(175,554)
TOTAL OPERATING REVENUES	<u>8,457,682</u>	<u>8,713,330</u>	<u>8,537,776</u>	<u>(175,554)</u>
<b>OPERATING EXPENSES</b>				
<b>WATER PLANTS / DISTRIBUTION</b>				
Salaries and wages	665,867	566,169	564,474	1,695
Overtime	74,281	15,848	15,848	-
FICA	56,621	44,984	44,984	-
Unemployment taxes	3,736	2,521	2,521	-
Employer pension contribution	39,952	32,340	32,340	-
Health/life insurance	224,094	201,521	200,888	633
Workers' compensation	28,940	23,700	23,700	-
Travel and training	24,000	19,703	20,240	(537)
Telephone and fax	6,654	7,384	7,426	(42)
Electric	157,561	161,867	165,844	(3,977)
General liability insurance	18,078	16,595	16,595	-
Comprehensive auto insurance	8,765	8,776	8,776	-
Other insurance	80,408	85,031	85,031	-
Repairs and maintenance	95,609	131,744	131,744	-
Other contract services	23,330	27,918	27,918	-
Vehicle fuel	46,148	33,583	33,583	-
Vehicle maintenance	20,161	16,424	16,459	(35)
Licenses and permits	2,045	7,592	7,592	-
Chemicals	101,314	101,314	86,633	14,681
Other materials	126,674	126,674	114,131	12,543
Laboratory fees	31,104	22,865	25,135	(2,270)
Uniforms/clothing allowance	3,600	2,211	2,211	-
Memberships/periodicals/books	1,181	840	840	-
SUB-TOTAL WATER PLANTS/DISTRIBUTION	<u>1,840,123</u>	<u>1,657,604</u>	<u>1,634,913</u>	<u>22,691</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN**  
**NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED**  
**Year ended September 30, 2015**

	Original Budget	Final Budget	Actual	Variance
<b>WASTEWATER PLANT</b>				
Salaries and wages	495,413	515,407	515,108	299
Overtime	25,109	9,327	9,327	-
FICA	39,820	39,367	39,368	(1)
Unemployment taxes	2,824	2,057	2,057	-
Employer pension contribution	29,725	24,721	24,721	-
Health/life insurance	156,074	140,821	140,270	551
Workers' compensation	15,512	12,470	12,470	-
Travel and training	18,000	6,299	6,837	(538)
Telephone and fax	3,433	2,345	2,473	(128)
Electric	241,931	272,887	279,380	(6,493)
Section 8 electric	20,915	9,752	9,933	(181)
General liability insurance	21,427	16,595	16,595	-
Comprehensive auto insurance	5,578	4,387	4,387	-
Other insurance	100,796	80,029	80,029	-
Section 8 field maintenance	14,849	14,849	-	14,849
Repairs and maintenance	97,555	98,072	98,763	(691)
Section 8 repairs	13,415	15,724	15,724	-
Other contract services	27,150	16,659	16,659	-
Vehicle fuel	19,000	10,609	10,609	-
Vehicle maintenance	8,935	13,195	13,195	-
Licenses and permits	13,814	1,275	1,275	-
Chemicals	46,140	49,947	49,947	-
Other materials	28,234	45,757	40,757	5,000
Laboratory fees	23,955	31,280	35,283	(4,003)
Residuals management	139,700	114,367	102,367	12,000
Uniforms/clothing allowance	2,400	960	960	-
Memberships/periodicals/books	589	750	750	-
<b>SUB-TOTAL WASTEWATER PLANT</b>	<u>1,612,293</u>	<u>1,549,908</u>	<u>1,529,244</u>	<u>20,664</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN**  
**NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED**  
**Year ended September 30, 2015**

	Original Budget	Final Budget	Actual	Variance
<b>WASTEWATER COLLECTION</b>				
Salaries and wages	298,820	287,280	286,305	975
Overtime	29,781	14,582	14,582	-
FICA	25,138	22,725	22,725	-
Unemployment taxes	1,368	945	945	-
Employer pension contribution	17,929	16,261	16,261	-
Health/life insurance	93,619	95,485	95,003	482
Workers' compensation	9,792	7,698	7,698	-
Travel and training	12,000	8,014	8,551	(537)
Telephone and fax	1,989	1,838	1,839	(1)
Electric	54,379	34,577	37,077	(2,500)
General liability insurance	18,078	16,595	16,595	-
Comprehensive auto insurance	4,780	5,118	5,118	-
Other insurance	1,183	1,250	1,250	-
Repairs and maintenance	58,008	59,231	59,922	(691)
Other contract services	1,961	2,833	2,833	-
Vehicle fuel	21,528	13,981	13,981	-
Vehicle maintenance	15,109	24,177	24,177	-
Licenses and permits	7,306	290	290	-
Chemicals	1,451	1,451	-	1,451
Other materials	20,449	41,879	36,878	5,001
Uniforms/clothing allowance	1,800	919	919	-
Memberships/periodicals/books	389	520	520	-
<b>SUB-TOTAL WASTEWATER COLLECTION</b>	<u>696,857</u>	<u>657,649</u>	<u>653,469</u>	<u>4,180</u>

The accompanying notes are an integral part of this statement.

**SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND  
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED  
Year ended September 30, 2015**

	Original Budget	Final Budget	Actual	Variance
CUSTOMER SERVICE / ADMIN				
Salaries and wages	545,009	498,614	500,114	(1,500)
Overtime	3,044	1,135	1,135	-
FICA	41,926	36,240	36,355	(115)
Unemployment taxes	3,280	1,680	1,697	(17)
Employer pension contribution	32,701	29,032	29,032	-
Health/life insurance	141,314	134,907	134,367	540
Workers' compensation	2,370	374	375	(1)
Legal services	43,000	41,299	41,299	-
Other professional services	1,500	788	788	-
Accounting/auditing	44,000	34,500	34,500	-
Engineering services	141,300	141,300	81,896	59,404
Engineering services/SRF	-	-	-	-
Travel and training	27,000	17,253	17,815	(562)
Telephone and fax	5,731	3,348	3,669	(321)
Postage and freight	34,802	38,152	38,152	-
General liability insurance	3,562	3,278	3,278	-
Comprehensive auto insurance	796	731	731	-
Other insurance	34,591	29,473	29,473	-
Other contract services	34,682	509	32,178	(31,669)
Repairs and maintenance	20,346	30,841	509	30,332
Vehicle fuel	451	255	255	-
Vehicle maintenance	1,687	2,373	2,373	-
Office supplies	26,368	19,592	19,592	-
Miscellaneous office expense	34,310	33,340	33,586	(246)
Miscellaneous bank fees	5,859	8,340	8,234	106
Miscellaneous expense	706	3,929	(6,545)	10,474
Arrowhead Assessment Exp.	3,000	(35)	-	(35)
Advertising	3,488	4,871	5,580	(709)
Licenses and permits	1,403	175	175	-
Memberships/periodicals/books	8,729	-	7,947	(7,947)
SUB-TOTAL CUSTOMER SERVICE / ADMIN	<u>1,246,955</u>	<u>1,116,294</u>	<u>1,058,560</u>	<u>57,734</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**

**SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND  
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED  
Year ended September 30, 2015**

	Original Budget	Final Budget	Actual	Variance
<b>MAINTENANCE</b>				
Salaries and wages	316,563	163,480	162,565	915
Overtime	38,745	1,036	1,036	-
FICA	27,181	12,229	12,229	-
Unemployment taxes	1,368	451	451	-
Employer pension contribution	18,994	15,982	15,982	-
Health/life insurance	96,456	91,120	90,638	482
Workers' compensation	10,588	7,686	7,686	-
Travel and training	12,000	3,173	3,148	25
Telephone and fax	1,645	1,703	1,787	(84)
General liability insurance	2,464	2,255	2,255	-
Comprehensive auto insurance	5,578	5,118	5,118	-
Repairs and maintenance	7,388	5,495	6,187	(692)
Other contract services	2,876	1,043	1,043	-
Vehicle fuel	11,720	7,945	7,945	-
Vehicle maintenance	11,638	10,617	10,617	-
Licenses and permits	1,089	40	40	-
Other materials	13,279	16,131	16,131	-
Uniforms/clothing allowance	1,800	819	819	-
Memberships/periodicals/books	447	645	645	-
SUB-TOTAL MAINTENANCE	<u>581,819</u>	<u>346,968</u>	<u>346,322</u>	<u>646</u>
<b>DEPRECIATION</b>				
Depreciation	<u>1,600,000</u>	<u>1,737,469</u>	<u>1,737,470</u>	<u>(1)</u>
SUB-TOTAL DEPRECIATION	<u>1,600,000</u>	<u>1,737,469</u>	<u>1,737,470</u>	<u>(1)</u>
TOTAL OPERATING EXPENSES	<u>7,578,047</u>	<u>7,065,892</u>	<u>6,959,978</u>	<u>105,914</u>
<b>OPERATING PROFIT</b>	<u>\$ 879,635</u>	<u>\$ 1,647,438</u>	<u>\$ 1,577,798</u>	<u>\$ (69,640)</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**

**SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND  
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED  
Year ended September 30, 2015**

	Original Budget	Final Budget	Actual	Variance
<b>OPERATING PROFIT, BROUGHT FORWARD</b>	\$ 879,635	\$ 1,647,438	\$ 1,577,798	\$ (69,640)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	33,566	47,692	47,692	-
Assessment cost, net	5,435	-	(55)	(55)
Contributed capital - grant - FDEP/EPA	-	-	-	-
Contributed capital - grant - USDA/FHA	-	380,506	380,506	-
Contributed capital - customers	30,000	96,660	505,077	408,417
Contributed capital - developers	70,000	643,009	-	(643,009)
Debt proceeds - USDA - Series 2013	-	-	-	-
Debt proceeds -FDEP	15,526,989	-	-	-
Debt proceeds -FCB	-	-	-	-
Other non-operating revenue	51,741	42,499	42,499	-
Capital outlay	(15,626,989)	(1,120,175)	(1,354,783)	(234,608)
Principal retirement - bonds	(1,348,195)	(572,646)	(519,601)	53,045
Principal retirement - SRF	-	-	-	-
Net Assets - brought forward	6,234,406	7,448,765	-	(7,448,765)
Net Assets - carryforward	(4,550,951)	(7,798,270)	-	7,798,270
Maintenance reserve	(240,055)	-	-	-
Interest expense	(1,005,582)	(759,229)	(754,245)	4,984
Bad debt expense	(35,000)	(31,249)	(31,249)	-
Loss on disposal of assets	(25,000)	(25,000)	(1,914)	23,086
NET NON-OPERATING REVENUES (EXPENSES)	<u>(879,635)</u>	<u>(1,647,438)</u>	<u>(1,686,073)</u>	<u>(38,635)</u>
NET PROFIT (LOSS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,275)</u>	<u>\$ (108,275)</u>
<b>Reconciliation:</b>				
Net profit (loss) (Non-GAAP Budgetary Basis)			\$ (108,275)	
Debt proceeds			-	
Capital outlay			1,354,783	
Principal retirement - bonds			<u>519,601</u>	
Increase in Net Position (GAAP Basis)			1,766,109	
Net position - beginning of the year			<u>29,547,802</u>	
Net position - end of the year			<u>\$ 31,313,911</u>	

The accompanying notes are an integral part of this statement.

## **ADDITIONAL REPORTS**





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**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 ON INTERNAL  
 CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
 AND OTHER MATTERS BASED ON AN AUDIT OF  
 BASIC 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, 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, the basic financial statements of the business-type activities of Immokalee Water & Sewer District (the "District") which comprise the statement of net position as of September 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated January 15, 2016.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented or detected and

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corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Immokalee Water & Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

### **Purpose of This Report**

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

A handwritten signature in black ink that reads "Tuscan & Company, P.A." in a cursive script.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 15, 2016



**TUSCAN**  
& Company, PA

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Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

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

We have examined Immokalee Water & Sewer District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for Immokalee Water & Sewer District's compliance with those requirements. Our responsibility is to express an opinion on Immokalee Water & Sewer District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Immokalee Water & Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Immokalee Water & Sewer District's compliance with specified requirements.

In our opinion, Immokalee Water & Sewer District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 15, 2016

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**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 & Sewer District (the "District") as of and for the year ended September 30, 2015 and have issued our report thereon dated January 15, 2016.

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 of America and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated January 15, 2016, 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. There were no financially significant prior year comments.

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- Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No such recommendations were noted to improve financial management.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with 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)4., 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)5.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)5.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, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)5.c. and 10.556(7), Rules of the Auditor General, we have 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.
- Pursuant to Section 10.554(1)(i)5.d., Rules of the Auditor General, requires a statement indicating a failure, if any, of a component unit special district to provide financial information necessary to a proper reporting of the component unit within the audited financial statements of this entity (F.S. Section 218.39(3)(b)). There are no known component special districts required to report within these financial statements.

Section 10.556(10)(a), Rules of the Auditor General, requires that the scope of our audit to determine the entity's compliance with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes as reported in our Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes dated January 15, 2016, included herein.

**PRIOR YEAR COMMENTS:**

No financially significant comments noted.

**CURRENT YEAR COMMENTS:**

No financially significant comments noted.

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 of Commissioners, management, 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.

A handwritten signature in cursive script that reads "Tuscan & Company, P.A." The signature is written in black ink and is positioned above the printed name of the firm.

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 15, 2016

**EXHIBIT**

# Immokalee Water & Sewer District

February 17, 2016

Sherrill F. Norman, CPA  
Auditor General, State of Florida  
Claude Denson Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

This letter is in response to the Management Letter in the District's Year Ending September 30, 2015 audit, performed by Tuscan & Company, P.A.; which was presented to the Board on February 17, 2016 and accepted by the Board on February 17, 2016.

**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

CC: Michael Botelho, USDA Rural Development