

IMMOKALEE WATER & SEWER DISTRICT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
TOGETHER WITH ADDITIONAL REPORTS
YEARS ENDED
SEPTEMBER 30, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 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, 2016 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, 2016 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

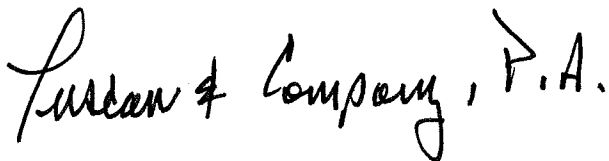
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Exhibit - Management's Response to The Independent Auditor's Report to Management is not a required part of the basic financial statements 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 16, 2017, 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 16, 2017 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.



TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 16, 2017

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

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2016

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, 2016.

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, 2016

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, 2016 and 2015 are as follows:

	September 30,	
	2016	2015
Current and other assets	\$ 12,600,777	\$ 11,550,977
Capital assets, net	38,574,891	39,355,660
Total assets	\$ 51,175,668	\$ 50,906,637
Current liabilities	\$ 2,355,795	\$ 2,074,204
Long-term liabilities	16,962,086	17,518,522
Total liabilities	19,317,881	19,592,726
Net position:		
Net Investment in capital assets	21,156,927	21,392,272
Restricted	2,221,704	2,213,827
Unrestricted	8,479,156	7,707,812
Total net position	31,857,787	31,313,911
Total liabilities and net position	\$ 51,175,668	\$ 50,906,637
Operating revenue:		
Water service	\$ 2,769,676	\$ 2,723,616
Wastewater service	4,755,135	4,689,555
Meter service charges	599,235	585,006
Late fees	87,850	84,190
Reconnection /transfer fee	103,780	103,275
Miscellaneous revenue	64,263	55,613
Cross connection control fees	305,285	296,521
Total operating revenues	8,685,224	8,537,776
Operating expenses:		
Water treatment and distribution expense	1,609,111	1,634,913
Wastewater treatment expense	1,664,779	1,529,244
Wastewater collection expense	818,494	653,469
Customer service and administrative expense	1,226,687	1,058,560
Maintenance	416,892	346,322
Total operating expenses, excluding depreciation	5,735,963	5,222,508
Depreciation	1,832,144	1,737,470
Total operating expenses, including depreciation	7,568,107	6,959,978
Operating profit (loss)	1,117,117	1,577,797
Net nonoperating revenue/expense	(617,300)	(697,272)
Profit (loss) before capital grants	499,817	880,525
Capital grants and contributions	44,059	885,583
Increase (Decrease) in net position	543,876	1,766,109
Beginning of year net position	31,313,911	29,547,802
End of year net position	\$ 31,857,787	\$ 31,313,911

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2016

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, 2016.

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 Rate Study was updated in 2016. Under Resolution 17-01, rate increases go into effect on November 1, 2016, October 1, 2017 and October 1, 2018.
- The District ended the year September 30, 2016, with a net position of \$31,857,787 of which \$21,156,927 represented the net investment in capital assets and \$8,479,156 was unrestricted. The ending net position was \$543,876 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, 2016 and 2015 of \$499,817 and \$880,526 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, 2016 with cash and cash equivalents and investments of approximately \$10,735,506. However, only \$7,629,591 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 2016, cash and cash equivalents increased by \$984,649 compared to an increase of \$1,466,228 for the year ended September 30, 2015. This change resulted primarily from spending funds for District capital projects. The servicing of the District's debt (principal and interest) resulted in the spending of over \$1,275,000 during the year ended September 30, 2016.

IMMOKALEE WATER & SEWER DISTRICT

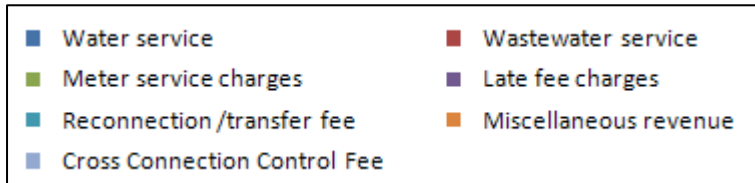
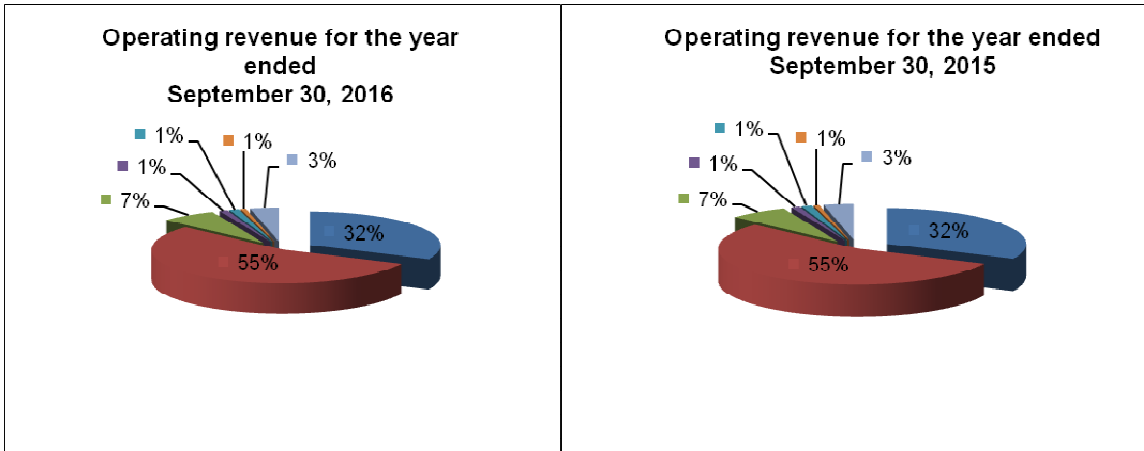
Required Supplementary Information

Management's Discussion and Analysis

September 30, 2016

Revenue

The following charts show the major sources of operating revenues for the years ended September 30, 2016 and September 30, 2015:



As in previous years, the wastewater service revenues make up more than half of the revenues, accounting for with 55% in 2016 and in 2015. Water revenue accounted for 32% in 2016 and in 2015. Meter service charges, late fee charges, reconnection fees, and miscellaneous revenues also remained constant between the two years. Cross connection control fees increased to 3% in 2016 from 3% in 2015.

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. The District 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

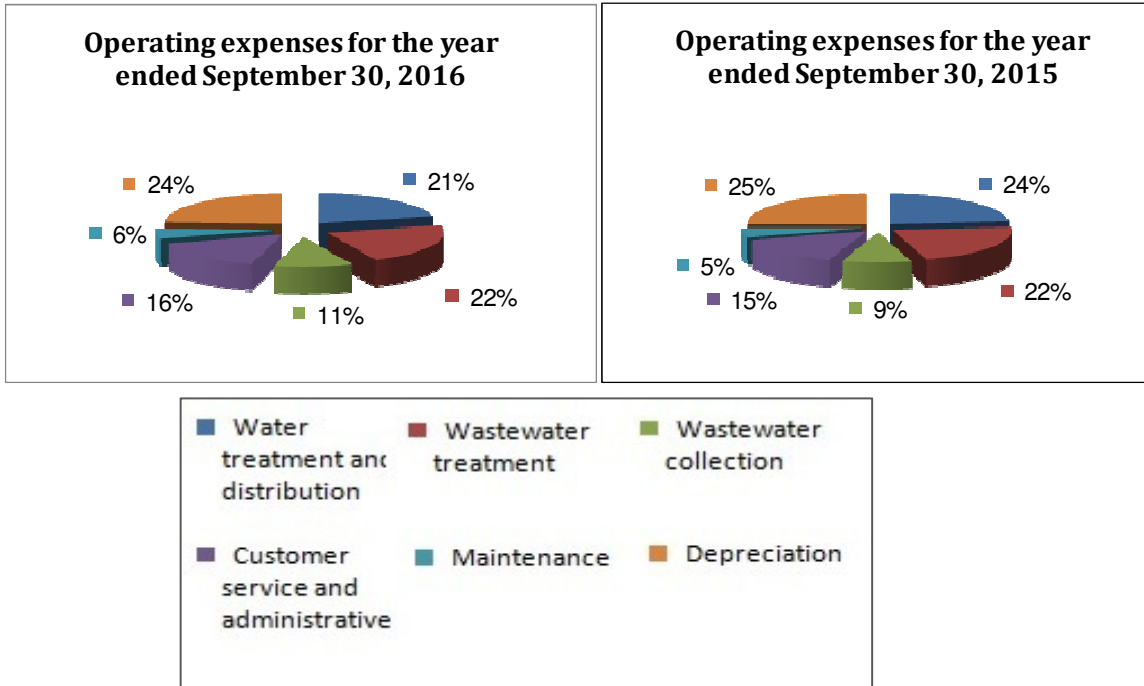
Required Supplementary Information

Management's Discussion and Analysis

September 30, 2016

Expenses

The following charges show the major sources of operating expenses for the years ended September 30, 2016 and September 30, 2015:



Due to the significant investments the District has in capital assets, depreciation continues to be one the largest operating expenses at 24% of total operating expenses, a decrease of 1%, from 2015. Unlike the other expenses listed, depreciation is not a cash expense.

The largest department, by expenses, at 22% of total expenses is for wastewater treatment, which remained constant between 2016 and 2015. This department is one 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 the Schwing Bioset project, which was completed in May 2014. The expenses were over \$400,000 per year before the project was completed.

The second highest department by expenses is the water treatment and distribution department with twelve full time employees. The related expenses of 21% were a decrease of 3% between 2016 and 2015. 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

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2016

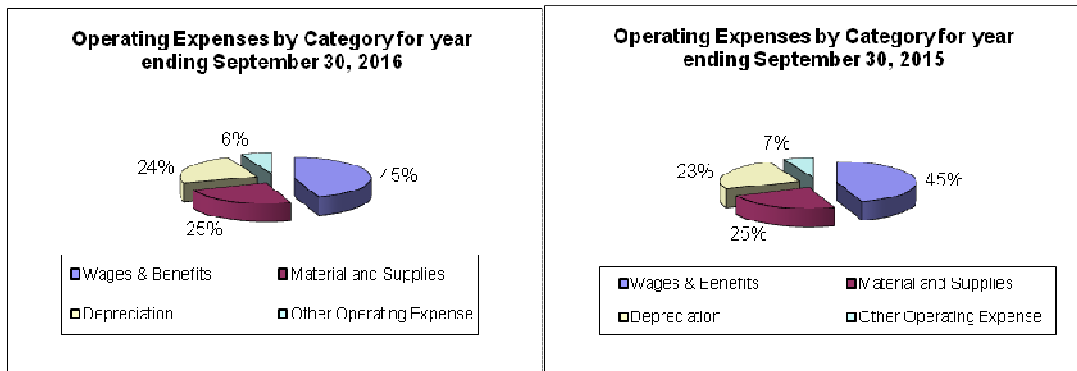
water department and will improve the efficiency and accuracy of the meter reading process. As of the end of 2016, 100% of the meters are now automated.

The third largest department is the administration department, which consists of nine full time employees. The related expenses increased to 16% of total expenses in 2016 from 15% in 2015. 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 2016 fiscal year.

The next largest department by expenses is the wastewater collection department, which consists of five full time employees. The related expenses increased to 11% in 2016 compared to 9% for 2015.

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 six full time employees. It increased by one percent to 6% of total expenses in 2016, from 5% in 2015. 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 2016 and 2015.



Wages and benefits stayed constant at 45% of the expenses in 2016, making it the highest expense category. Materials and supplies stayed constant at 25%. Depreciation expense increased by one percent to 24%, and other operating expenses decreased by one percent to 6%.

The District continues to monitor costs. During the 2016 fiscal year, the District did not give a cost of living increase to the employees. It did give merit increases, of up to 4%,

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2016

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 four times. These budget amendments were done primarily to a) increase operating expenses and capital funding primarily related to the District's projects and b) increase operating expenses and capital funding primarily related to the District's projects, adjust designated funds and c) to increase revenue, increase operating expenses, increase capital expenditures, and adjust designated funds and d) to increase revenue, decrease operating expenses, increase capital expenditures, and adjust designated funds..

Original to Final Budget Variance

Total operating revenues were increased by approximately \$50,000 more than originally budgeted, and total operating expenses, excluding depreciation expense, were decreased by over \$510,000 (8%).

Contributed capital – customers was increased by over \$14,000. Contributed capital – developers, was decreased by \$70,000, and other non-operating revenue was decreased by over \$1,300.

Final Budget to Actual Variance

Total operating revenue was approximately \$5,900 more than budgeted.

Over the five departments, approximately \$172,000 in budgeted operating expenses were not expended.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2016

Capital Assets

The District's net capital assets as of September 30, 2016 and 2015 amounted to \$38,574,891 and \$39,355,660 (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>2016</u>	<u>2015</u>
Construction in progress	\$ 201,699	\$ (17,945,475)
Buildings and improvements	-	-
Water and wastewater plants and systems	581,207	18,719,772
Machinery and equipment	268,469	390,845
	<u>\$ 1,051,375</u>	<u>\$ 1,165,142</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 2016 and 2015, the District used in-house personnel to continue the meter replacement program.

Debt

As of September 30, 2016, the District had \$16,816,969 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 \$513,000.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2016

Unrestricted Net Assets

As of September 30, 2016, the District had designated \$7,203,107 in unrestricted net assets, as recommended by their auditor. The District designated \$960,000 for emergencies, \$3,300,690 for operations, \$259,086 for vehicle replacement, \$540,234 for capital equipment, and \$2,143,097 for maintenance reserve. The District still had \$1,276,049 in undesignated net assets at the end of 2016.

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. The rate study was reviewed by PRMG in 2016, and Board adopted their recommendation of rate increases of 8.5% on water and 2.5% for wastewater to go into effect on November 1, 2016, October 1, 2017 and October 1, 2018.

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.

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.

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

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2016

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. 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 1st 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 completed 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 15th Street. The Boys and Girls Club completed a new center in Immokalee on Roberts Avenue late in 2016. First 1 Bank is looking into building a new facility on North 15th Street, also.

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.

We expect to begin construction on the A/C and Undersized Water Lines Replacement Project during the 2017 Fiscal Year. This project is over \$20,000,000 and will be primarily funded by USDA. We will be replacing the majority of the water lines in Immokalee. This project will be broken down into four phases, so that smaller contractors will be able to bid on the project.

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 6,553,891	\$ 5,735,710
Investment	1,075,700	1,062,152
Accounts receivable, net	525,068	510,580
Other receivables	5,079	6,311
Inventory	382,964	297,906
Prepaid expenses	<u>50,406</u>	<u>44,068</u>
TOTAL CURRENT ASSETS	<u>8,593,108</u>	<u>7,656,727</u>
RESTRICTED ASSETS		
Cash	3,105,915	2,939,447
Grant and assessment receivables	<u>901,754</u>	<u>954,803</u>
TOTAL RESTRICTED ASSETS	<u>4,007,669</u>	<u>3,894,250</u>
CAPITAL ASSETS		
Capital assets not being depreciated:		
Land	2,645,941	2,645,941
Construction in progress	484,882	283,183
Capital assets being depreciated:		
Buildings and improvements	1,509,938	1,509,938
Water and wastewater plants and systems	61,902,278	61,321,071
Machinery and equipment	3,201,123	2,932,654
Less:		
Accumulated depreciation	<u>(31,169,271)</u>	<u>(29,337,127)</u>
	<u>38,574,891</u>	<u>39,355,660</u>
TOTAL ASSETS	<u>\$ 51,175,668</u>	<u>\$ 50,906,637</u>

The accompanying notes are an integral part of this statement.

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts and contracts payable	\$ 465,142	\$ 316,320
Other accrued expenses	<u>104,688</u>	<u>77,461</u>
TOTAL CURRENT LIABILITIES	<u>569,830</u>	<u>393,781</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Revenue bonds payable, current portion	538,000	513,000
Loans payable - SRF, current portion	33,267	32,423
Accrued revenue bond interest	54,855	56,918
Retainage payable	-	-
Customer deposits	<u>1,159,843</u>	<u>1,078,082</u>
TOTAL CURRENT LIABILITIES (Payable from Restricted Assets)	<u>1,785,965</u>	<u>1,680,423</u>
LONG-TERM LIABILITIES		
Revenue bonds payable, net of current portion	16,278,969	16,816,969
Loans payable - SRF, net of current portion	567,728	600,996
Accrued compensated absences	<u>115,389</u>	<u>100,557</u>
TOTAL LONG-TERM LIABILITIES	<u>16,962,086</u>	<u>17,518,522</u>
TOTAL LIABILITIES	<u>19,317,881</u>	<u>19,592,726</u>
NET POSITION		
Net investment in capital assets	21,156,927	21,392,272
Restricted	2,221,704	2,213,827
Unrestricted	<u>8,479,156</u>	<u>7,707,812</u>
TOTAL NET POSITION	<u>31,857,787</u>	<u>31,313,911</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 51,175,668</u>	<u>\$ 50,906,637</u>

IMMOKALEE WATER & SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Cross connection control fee	\$ 305,285	\$ 296,521
Water service	2,769,676	2,723,616
Wastewater service	4,755,135	4,689,555
Meter service charge	599,235	585,006
Late fees	87,850	84,190
Reconnect and transfer fees	103,780	103,275
Miscellaneous charges, fees and other income	<u>64,263</u>	<u>55,613</u>
TOTAL OPERATING REVENUES	<u>8,685,224</u>	<u>8,537,776</u>
OPERATING EXPENSES		
Water treatment and distribution	1,609,111	1,634,913
Wastewater treatment	1,664,779	1,529,244
Wastewater collection	818,494	653,469
Customer service and administrative	1,226,687	1,058,560
Maintenance	<u>416,892</u>	<u>346,322</u>
TOTAL OPERATING EXPENSES		
PRIOR TO DEPRECIATION	5,735,963	5,222,508
Depreciation	<u>1,832,144</u>	<u>1,737,470</u>
TOTAL OPERATING EXPENSES	<u>7,568,107</u>	<u>6,959,978</u>
OPERATING PROFIT (LOSS)	<u>1,117,117</u>	<u>1,577,798</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	54,869	47,692
Gain (loss) on disposal of fixed assets	13,072	(1,914)
Interest expense	(730,557)	(754,245)
Bad debt expense adjustment	10,042	(31,249)
Other income	<u>35,274</u>	<u>42,444</u>
NET NON-OPERATING EXPENSES	<u>(617,300)</u>	<u>(697,272)</u>
PROFIT (LOSS) BEFORE CAPITAL		
CONTRIBUTIONS	499,817	880,526
CAPITAL CONTRIBUTIONS		
USDA - grants	-	380,506
Customers	44,059	505,077
Developers	<u>-</u>	<u>-</u>
TOTAL CAPITAL CONTRIBUTIONS	<u>44,059</u>	<u>885,583</u>
INCREASE (DECREASE) IN NET POSITION	543,876	1,766,109
NET POSITION - Beginning of the year	<u>31,313,911</u>	<u>29,547,802</u>
NET POSITION - End of the year	<u>\$ 31,857,787</u>	<u>\$ 31,313,911</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
STATEMENTS OF CASH FLOWS
Years ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 8,763,771	\$ 8,524,116
Cash payments to suppliers and employees	<u>(5,636,478)</u>	<u>(5,279,604)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,127,293</u>	<u>3,244,512</u>
CASH FLOWS FROM NONCAPITAL FINANCING:		
Other income received	<u>35,274</u>	<u>42,444</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING	<u>35,274</u>	<u>42,444</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(1,051,375)	(1,518,085)
Proceeds from sale of capital assets	13,072	-
Principal paid on revenue bonds	(513,000)	(488,000)
Principal paid on LOC	-	-
Principal paid on loans - SRF	(32,424)	(31,601)
Interest paid on bonds and other obligations	(732,620)	(756,046)
Proceeds from Series 2013 Bond	-	-
Capital contributions - USDA	-	380,506
Membership/customer/developer connection fees/assessment	<u>97,108</u>	<u>558,126</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,219,239)</u>	<u>(1,855,100)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Interest earned on investments	41,321	34,372
Purchase of certificate of deposit	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>41,321</u>	<u>34,372</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	984,649	1,466,228
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>8,675,157</u>	<u>7,208,929</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 9,659,806</u>	<u>\$ 8,675,157</u>

The accompanying notes are an integral part of this statement.

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
OPERATING PROFIT (LOSS)	<u>\$ 1,117,117</u>	<u>\$ 1,577,798</u>
Adjustments to reconcile operating profit to net cash provided by operating activities:		
Depreciation (non cash)	1,832,144	1,737,470
Increase (decrease) in accrued compensated absences (non cash)	14,832	9,995
(Increase) decrease in accounts receivable, net	(4,446)	(81,004)
(Increase) decrease in other receivables	1,232	18,042
(Increase) decrease in inventory	(85,058)	52,969
(Increase) decrease in prepaid expenses	(6,338)	(2,910)
Increase (decrease) in accounts payable	148,822	(134,567)
Increase (decrease) in contracts payable	-	-
Increase (decrease) in other accrued expenses	27,227	17,417
Increase (decrease) in customer deposits	<u>81,761</u>	<u>49,302</u>
TOTAL ADJUSTMENTS	<u>2,010,176</u>	<u>1,666,714</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,127,293</u>	<u>\$ 3,244,512</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 District 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, 2016 to increase total budgeted net revenue by \$225,636 and an increase in budgeted expenses (including net non-operating revenue and expense) by \$225,636.

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 16, 2017, 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, 2016 or 2015.

NOTE B - CASH AND INVESTMENTS

At September 30, 2016 and 2015, cash and cash equivalents (including both restricted and unrestricted cash and cash equivalents) were \$9,659,806 and \$8,675,157 respectively, including unrestricted cash on hand of \$3,400 and \$3,400, 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, 2016 and 2015**

NOTE B - CASH AND INVESTMENTS, CONTINUED

Deposits, continued

	Insured/ Collateralized	Bank Balance	Carrying Amount
<u>September 30, 2016</u>			
Unrestricted			
Depository accounts	\$ 298,907	\$ 298,907	\$ 199,440
Money market	<u>6,351,051</u>	<u>6,351,051</u>	<u>6,351,051</u>
	<u>6,649,958</u>	<u>6,649,958</u>	<u>6,550,491</u>
Restricted			
Depository accounts	1,176,589	1,176,589	1,176,589
Money market	<u>1,929,326</u>	<u>1,929,326</u>	<u>1,929,326</u>
	<u>3,105,915</u>	<u>3,105,915</u>	<u>3,105,915</u>
	<u>\$ 9,755,873</u>	<u>\$ 9,755,873</u>	<u>\$ 9,656,406</u>
 <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>

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, 2016 and 2015**

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>2016</u>	<u>2015</u>
Construction account	\$ 8,168	\$ 8,139
Bond sinking fund reserve	1,529,549	1,494,259
Department of Environmental Protection- Deep Well Injection Reserve	232,676	231,515
Customer deposits	1,153,359	1,077,913
Loan debt service	20,729	20,653
Special assessment collections	161,434	106,968
	<u>\$ 3,105,915</u>	<u>\$ 2,939,447</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 \$1,075,700 and \$1,062,152 (bank and book balance) invested in certificates of deposit at September 30, 2016 and 2015, respectively. The CDs carried interest rates of 1.69% and .8% at September 30, 2016. 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>2016</u>	<u>2015</u>
Customer receivables (water/sewer)	\$ 608,778	\$ 604,332
Less allowance for doubtful accounts	<u>(83,710)</u>	<u>(93,752)</u>
Net receivables	<u>\$ 525,068</u>	<u>\$ 510,580</u>

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015**

NOTE D - GRANT AND ASSESSMENT RECEIVABLES

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

	<u>2016</u>	<u>2015</u>
Special Assessment	901,754	954,803
	<u>\$ 901,754</u>	<u>\$ 954,803</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 collections are restricted to principal reduction of the Series 2013 Revenue Bonds. 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>2016</u>	<u>2015</u>
Balance, October 1	\$ 954,803	\$ 1,007,852
Assessment levied	-	-
Collections	<u>(53,049)</u>	<u>(53,049)</u>
	<u>\$ 901,754</u>	<u>\$ 954,803</u>

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015**

NOTE E - CAPITAL ASSET ACTIVITY

The following is a summary of changes in capital asset activity for the year ended September 30, 2016:

	Balance October 1 2015	Additions	Retirements	Adjustments/ Reclassifications	Balance September 30 2016
Capital Assets Not					
Being Depreciated:					
Land	\$ 2,645,941	\$ -	\$ -	\$ -	\$ 2,645,941
Construction in Progress	283,183	218,218	-	(16,519)	484,882
Total Capital Assets Not					
Being Depreciated	<u>2,929,124</u>	<u>218,218</u>	<u>-</u>	<u>(16,519)</u>	<u>3,130,823</u>
Capital Assets					
Being Depreciated:					
Buildings & Improvements	1,509,938	-	-	-	1,509,938
Water and Wastewater					
Plant and Systems	61,321,071	564,688	-	16,519	61,902,278
Machinery & Equipment	<u>2,932,654</u>	<u>268,469</u>	<u>-</u>	<u>-</u>	<u>3,201,123</u>
Total Capital Assets					
Being Depreciated	<u>65,763,663</u>	<u>833,157</u>	<u>-</u>	<u>16,519</u>	<u>66,613,339</u>
Less Accumulated					
Depreciation:					
Buildings & Improvements	(727,957)	(37,692)	-	-	(765,649)
Plant and Systems	(26,144,439)	(1,406,645)	-	-	(27,551,084)
Machinery & Equipment	<u>(2,464,731)</u>	<u>(387,807)</u>	<u>-</u>	<u>-</u>	<u>(2,852,538)</u>
Total Accumulated Depreciation	<u>(29,337,127)</u>	<u>(1,832,144)</u>	<u>-</u>	<u>-</u>	<u>(31,169,271)</u>
Capital Assets, Net	<u>\$ 39,355,660</u>	<u>\$ (780,769)</u>	<u>\$ -</u>	<u>\$ -</u>	38,574,891
				Related debt	<u>(17,417,964)</u>
				Net investment in capital assets	<u>\$ 21,156,927</u>

NOTE E - CAPITAL ASSET ACTIVITY, CONTINUED

The depreciation expense for the years ended September 30, 2016 and 2015 was \$1,832,144 and \$1,737,470, respectively. During the years ended September 30, 2016 and 2015, 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, 2016 and 2015.

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, 2016, 2015, and 2014, the District contributed 100% of its required contributions.

The District's gross contributions (employer portion) to the plan for the years ended September 30, 2016, 2015 and 2014 were \$131,368, \$118,336, and \$110,052, respectively. Employee contributions to the plan were \$61,985, \$58,312 and \$53,527, respectively for the years ended September 30, 2016, 2015, and 2014, 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, 2016 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, 2014	\$ 17,817,969
Principal retired	(488,000)
Bonds issued	<u>-</u>
Balances - September 30, 2015	17,329,969
Principal retired	(513,000)
Bonds issued	<u>-</u>
Balances - September 30, 2016	<u>\$ 16,816,969</u>

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015**

NOTE G - REVENUE BONDS PAYABLE, CONTINUED

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

	<u>2016</u>	<u>2015</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.	\$ 450,000	\$ 550,000
\$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.	157,000	191,000
\$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.	264,969	286,969

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015**

NOTE G - REVENUE BONDS PAYABLE, CONTINUED

	<u>2016</u>	<u>2015</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.	2,307,000	2,409,000
\$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.	154,000	161,000
\$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.	3,109,000	3,205,000
\$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.	613,000	629,000

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015**

NOTE G - REVENUE BONDS PAYABLE, CONTINUED

	<u>2016</u>	<u>2015</u>
<p>\$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.</p>	1,850,000	1,890,000
<p>\$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.</p>	3,077,000	3,124,000
<p>\$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, 2016 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.</p>	4,835,000	4,884,000
	16,816,969	17,329,969
Less: current portion (due in one year)	(538,000)	(513,000)
Long-term portion	<u>\$16,278,969</u>	<u>\$16,816,969</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, 2016 and 2015, 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>
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	477,000	584,415	1,061,415
2022 - 2026	2,715,969	2,573,464	5,289,433
2027 - 2031	3,249,000	1,908,040	5,157,040
2032 - 2036	3,578,000	1,150,086	4,728,086
2037 - 2041	1,831,000	631,481	2,462,481
2042 - 2046	1,466,000	323,206	1,789,206
2047 - 2051	1,008,000	94,906	1,102,906
2052	186,000	4,650	190,650
	<u>\$ 16,816,969</u>	<u>\$ 9,883,816</u>	<u>\$ 26,700,785</u>

Revenue bond debt interest expense was \$714,385 and \$737,251 for the years ended September 30, 2016 and 2015, respectively. No revenue bond debt interest expense was capitalized in either year.

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015**

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, 2014	\$ 370,190	\$ 294,830	\$ 665,020
Proceeds	-	-	-
Principal retired	<u>(17,405)</u>	<u>(14,196)</u>	<u>(31,601)</u>
Balance-September 30, 2015	352,785	280,634	633,419
Principal retired	<u>(17,880)</u>	<u>(14,544)</u>	<u>(32,424)</u>
Balance-September 30, 2016	<u>\$ 334,905</u>	<u>\$ 266,090</u>	<u>\$ 600,995</u>

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

	<u>2016</u>	<u>2015</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.	\$ 334,905	\$ 352,785
\$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>266,090</u>	<u>280,634</u>
Total loans payable	600,995	633,419
Less current portion:	<u>(33,267)</u>	<u>(32,423)</u>
	<u>\$ 567,728</u>	<u>\$ 600,996</u>

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015**

NOTE H - LOANS PAYABLE - SRF, CONTINUED

Year Ending September 30	Principal	Interest	Total
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	36,866	11,729	48,595
2022 - 2026	199,231	43,745	242,976
2027-2031	226,548	222,177	448,725
	<u>\$ 600,995</u>	<u>\$ 333,681</u>	<u>\$ 934,676</u>

Loans payable - SRF related interest expense was \$16,172 and \$16,994 for the years ended September 30, 2016 and 2015, respectively. No loan interest costs were capitalized in either year.

NOTE I - LINE OF CREDIT

On October 15, 2016, the District renewed 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 years ended September 30, 2016 or 2015. The LOC required interest paid quarterly and principal at maturity. Interest accrues at Prime Rate plus .50% with a floor rate of 4.00%. The LOC is due in full on October 15, 2018. Interest rate at September 30, 2016 was 3.75%. Upon renewal at October 15, 2016, the floor increased to 4.0%.

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, 2014	\$ 90,562
Net Increase	<u>9,995</u>
Accrued compensated absences, September 30, 2015	100,557
Net Increase	<u>14,832</u>
Accrued compensated absences, September 30, 2016	<u><u>\$ 115,389</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, 2016 and 2015**

NOTE L - NET ASSETS

Restricted net assets consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Restricted assets	\$ 4,007,669	\$ 3,894,250
Less: liabilities payable from restricted cash	<u>(1,785,965)</u>	<u>(1,680,423)</u>
	<u>\$ 2,221,704</u>	<u>\$ 2,213,827</u>

Unrestricted net assets consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Designated for emergencies	\$ 960,000	\$ 860,000
Designated for operations	3,300,690	2,673,344
Designated for vehicle replacement	259,086	276,353
Designated for capital equipment	540,234	191,103
Designated for maintenance reserve	<u>2,143,097</u>	<u>1,903,042</u>
Total Designated	7,203,107	5,903,842
Undesignated	<u>1,276,049</u>	<u>1,803,970</u>
Total unrestricted net assets	<u>\$ 8,479,156</u>	<u>\$ 7,707,812</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, 2016 and 2015**

NOTE N - SUBSEQUENT EVENTS

The District has received approval from USDA for funding of approximately \$21,000,000 to replace water lines within the District. The Letter of Obligation is for a \$17,134,000 loan over 40 years at 2.25%; \$4,063,900 grant; and the remaining approximately \$13,000 in funding will be provided by the District. Construction is expected to begin in fiscal year 2017, and it will last for approximately twenty four months.

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

IMMOKALEE WATER & SEWER DISTRICT
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, 2016

	Original Budget	Final Budget	Actual	Variance
OPERATING REVENUES				
Cross connection control fee	\$ 306,258	\$ 305,285	\$ 305,285	\$ -
Water service	2,746,367	2,769,676	2,769,676	-
Wastewater service	4,739,810	4,755,135	4,755,135	-
Meter service charge	594,000	599,235	599,235	-
Late fees	86,879	87,850	87,850	-
Reconnect and transfer fees	105,431	103,780	103,780	-
Miscellaneous charges, fees and other income	50,000	58,355	64,263	5,908
TOTAL OPERATING REVENUES	<u>8,628,745</u>	<u>8,679,316</u>	<u>8,685,224</u>	<u>5,908</u>
OPERATING EXPENSES				
WATER PLANTS / DISTRIBUTION				
Salaries and wages	641,302	577,164	577,164	-
Overtime	80,922	25,651	25,651	-
FICA	55,250	47,338	47,338	-
Unemployment taxes	2,441	93	93	-
Employer pension contribution	38,478	31,967	35,643	(3,676)
Health/life insurance	235,932	245,453	225,453	20,000
Workers' compensation	26,000	24,605	24,605	-
Travel and training	26,000	18,678	18,678	-
Telephone and fax	6,424	8,986	8,986	-
Electric	168,253	161,125	161,125	-
General liability insurance	18,586	17,911	17,911	-
Comprehensive auto insurance	9,829	8,925	8,925	-
Other insurance	95,235	81,656	81,656	-
Repairs and maintenance	106,920	179,621	179,605	16
Other contract services	25,704	31,549	28,549	3,000
Vehicle fuel	37,821	22,402	22,634	(232)
Vehicle maintenance	20,967	13,051	13,051	-
Licenses and permits	4,125	4,830	4,830	-
Chemicals	103,635	95,244	90,244	5,000
Other materials	131,741	60,674	10,675	49,999
Laboratory fees	27,143	27,045	22,370	4,675
Uniforms/clothing allowance	3,900	2,455	2,455	-
Memberships/periodicals/books	1,228	1,470	1,470	-
SUB-TOTAL WATER PLANTS/DISTRIBUTION	<u>1,867,836</u>	<u>1,687,893</u>	<u>1,609,111</u>	<u>78,782</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED
Year ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance
WASTEWATER PLANT				
Salaries and wages	503,639	556,759	556,759	-
Overtime	25,324	10,908	10,908	-
FICA	40,466	42,817	42,817	-
Unemployment taxes	2,284	139	139	-
Employer pension contribution	30,218	24,614	27,501	(2,887)
Health/life insurance	164,512	159,845	145,845	14,000
Workers' compensation	15,393	15,236	15,236	-
Travel and training	18,000	8,798	9,898	(1,100)
Telephone and fax	3,570	3,568	3,568	-
Electric	266,124	245,182	245,182	-
Section 8 electric	15,656	5,957	5,957	-
General liability insurance	18,586	17,911	17,911	-
Comprehensive auto insurance	4,913	4,463	4,463	-
Other insurance	100,832	77,069	77,069	-
Section 8 field maintenance	15,443	-	-	-
Repairs and maintenance	106,281	161,277	156,260	5,017
Section 8 repairs	13,952	15,724	15,724	-
Other contract services	28,236	65,506	65,506	-
Vehicle fuel	13,449	8,992	9,067	(75)
Vehicle maintenance	14,072	10,927	10,927	-
Licenses and permits	11,747	6,035	6,035	-
Chemicals	54,478	72,827	72,827	-
Other materials	38,929	47,531	42,531	5,000
Laboratory fees	28,727	40,895	40,895	-
Residuals management	139,700	80,003	80,003	-
Uniforms/clothing allowance	2,400	1,072	1,072	-
Memberships/periodicals/books	613	679	679	-
SUB-TOTAL WASTEWATER PLANT	<u>1,677,544</u>	<u>1,684,734</u>	<u>1,664,779</u>	<u>19,955</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED
Year ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance
WASTEWATER COLLECTION				
Salaries and wages	300,363	300,363	298,267	2,096
Overtime	30,361	30,361	21,042	9,319
FICA	25,300	25,300	24,301	999
Unemployment taxes	1,049	137	37	100
Employer pension contribution	18,022	18,022	17,753	269
Health/life insurance	98,643	115,002	105,002	10,000
Workers' compensation	9,624	11,344	9,672	1,672
Travel and training	12,000	12,000	9,472	2,528
Telephone and fax	2,069	2,069	2,306	(237)
Electric	38,836	40,262	39,262	1,000
General liability insurance	18,586	17,911	17,911	-
Comprehensive auto insurance	5,732	5,206	5,206	-
Other insurance	1,400	1,201	1,201	-
Repairs and maintenance	62,349	150,842	150,310	532
Other contract services	1,977	5,175	5,175	-
Vehicle fuel	15,278	14,541	9,574	4,967
Vehicle maintenance	27,504	40,849	40,849	-
Licenses and permits	8,306	5,674	5,674	-
Chemicals	1,596	-	-	-
Other materials	30,781	58,631	53,631	5,000
Uniforms/clothing allowance	1,800	1,420	1,420	-
Memberships/periodicals/books	405	429	429	-
SUB-TOTAL WASTEWATER COLLECTION	<u>711,981</u>	<u>856,739</u>	<u>818,494</u>	<u>38,245</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED
Year ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance
CUSTOMER SERVICE / ADMIN				
Salaries and wages	606,719	564,247	564,247	-
Board Member Pay	21,000	-	-	-
Overtime	3,572	85	85	-
FICA	46,687	43,171	40,653	2,518
Unemployment taxes	1,862	114	114	-
Employer pension contribution	36,403	29,891	33,525	(3,634)
Health/life insurance	153,040	158,057	145,057	13,000
Workers' compensation	1,282	2,041	2,041	-
Legal services	43,000	56,500	56,500	-
Other professional services	1,500	11,774	6,774	5,000
Accounting/auditing	44,000	37,350	37,350	-
Engineering services	287,780	87,696	87,696	-
Engineering services/SRF	-	-	-	-
Travel and training	34,000	29,719	29,719	-
Telephone and fax	3,961	3,572	3,572	-
Postage and freight	44,434	34,214	34,214	-
General liability insurance	3,671	3,745	3,745	-
Comprehensive auto insurance	819	744	744	-
Other insurance	33,010	36,508	36,508	-
Other contract services	36,069	53,008	53,178	(170)
Repairs and maintenance	22,162	697	697	-
Vehicle fuel	369	25	25	-
Vehicle maintenance	790	1,095	1,095	-
Office supplies	27,423	26,199	26,199	-
Miscellaneous office expense	36,417	46,361	41,876	4,485
Miscellaneous bank fees	9,337	4,009	3,474	535
Miscellaneous expense	-	-	-	-
Arrowhead Assessment Exp.	3,000	-	-	-
Advertising	3,628	5,116	5,116	-
Licenses and permits	1,459	175	175	-
Memberships/periodicals/books	9,078	12,308	12,308	-
SUB-TOTAL CUSTOMER SERVICE / ADMIN	<u>1,516,472</u>	<u>1,248,421</u>	<u>1,226,687</u>	<u>21,734</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED
Year ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance
MAINTENANCE				
Salaries and wages	356,948	176,382	176,382	-
Overtime	26,025	706	706	-
FICA	29,297	13,290	13,290	-
Unemployment taxes	799	64	64	-
Employer pension contribution	21,417	14,951	16,946	(1,995)
Health/life insurance	123,515	109,539	98,539	11,000
Workers' compensation	11,145	9,306	9,306	-
Travel and training	12,000	11,139	11,139	-
Telephone and fax	1,700	3,043	3,043	-
General liability insurance	2,526	2,226	2,226	-
Comprehensive auto insurance	5,732	6,694	6,694	-
Repairs and maintenance	9,471	18,796	18,796	-
Other contract services	2,991	4,396	4,396	-
Vehicle fuel	11,031	4,968	4,968	-
Vehicle maintenance	12,103	16,126	16,126	-
Licenses and permits	1,133	142	142	-
Other materials	15,105	37,298	32,298	5,000
Uniforms/clothing allowance	1,800	1,418	1,418	-
Memberships/periodicals/books	465	413	413	-
SUB-TOTAL MAINTENANCE	<u>645,203</u>	<u>430,897</u>	<u>416,892</u>	<u>14,005</u>
DEPRECIATION				
Depreciation	<u>1,600,000</u>	<u>1,832,144</u>	<u>1,832,144</u>	<u>-</u>
SUB-TOTAL DEPRECIATION	<u>1,600,000</u>	<u>1,832,144</u>	<u>1,832,144</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>8,019,036</u>	<u>7,740,828</u>	<u>7,568,107</u>	<u>172,721</u>
OPERATING PROFIT	<u>\$ 609,709</u>	<u>\$ 938,488</u>	<u>\$ 1,117,117</u>	<u>\$ 178,629</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED
Year ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance
OPERATING PROFIT,				
BROUGHT FORWARD	\$ 609,709	\$ 938,488	\$ 1,117,117	\$ 178,629
NON-OPERATING REVENUES (EXPENSES)				
Interest income	50,000	54,869	54,869	-
Assessment cost, net	5,435	-	(270)	(270)
Contributed capital - grant - FDEP/EPA	-	-	-	-
Contributed capital - grant - USDA/FHA	-	-	-	-
Contributed capital - customers	30,000	44,060	44,059	(1)
Contributed capital - developers	70,000	-	-	-
Debt proceeds - USDA - Series 2013	-	-	-	-
Debt proceeds -FDEP	-	-	-	-
Debt proceeds -FCB	-	-	-	-
Other non-operating revenue	42,809	41,452	32,620	(8,832)
Capital outlay	(100,000)	(44,060)	(1,051,375)	(1,007,315)
Principal retirement - bonds	(566,045)	(565,045)	(513,000)	52,045
Principal retirement - SRF	(30,800)	(31,601)	(32,424)	(823)
Net Assets - brought forward	5,694,028	5,903,842	-	(5,903,842)
Net Assets - carryforward	(5,007,874)	(5,627,457)	-	5,627,457
Maintenance reserve	-	-	-	-
Forfeited 401A	-	-	2,924	2,924
Interest expense	(737,262)	(737,661)	(730,557)	7,104
Bad debt expense	(35,000)	10,042	10,042	-
Gain (Loss) on disposal of assets	(25,000)	13,071	13,072	1
NET NON-OPERATING REVENUES (EXPENSES)	<u>(609,709)</u>	<u>(938,488)</u>	<u>(2,170,040)</u>	<u>(1,231,552)</u>
NET PROFIT (LOSS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,052,923)</u>	<u>\$ (1,052,923)</u>

Reconciliation:

Net profit (loss) (Non-GAAP Budgetary Basis)	\$ (1,052,923)
Debt proceeds	-
Capital outlay	1,051,375
Principal retirement - bonds	513,000
Principal retirement - SRF	<u>32,424</u>
Increase in Net Position (GAAP Basis)	543,876
Net position - beginning of the year	<u>31,313,911</u>
Net position - end of the year	<u>\$ 31,857,787</u>

The accompanying notes are an integral part of this statement.

ADDITIONAL REPORTS



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**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, 2016, 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 16, 2017.

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

INTEGRITY SERVICE EXPERIENCE

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.

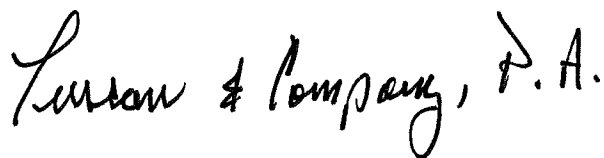
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 16, 2017



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**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, 2016. 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, 2016.

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.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 16, 2017

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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, 2016 and have issued our report thereon dated January 16, 2017.

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 16, 2017, 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.

INTEGRITY SERVICE EXPERIENCE

- 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., Rules 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, 2016, 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, 2016. 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 16, 2017, included herein.

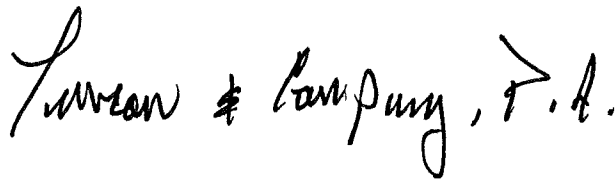
PRIOR YEAR COMMENTS:

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

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 16, 2017

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, 2016 audit, performed by Tuscan & Company, P.A.; which was presented to the Board on February 15, 2017 and accepted by the Board on February 15, 2017.

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