

IMMOKALEE WATER & SEWER DISTRICT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
TOGETHER WITH REPORTS OF
INDEPENDENT AUDITOR
YEARS ENDED
SEPTEMBER 30, 2009 AND 2008

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Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of Immokalee Water & Sewer District (an independent special district) as of September 30, 2009 and 2008, and for the years then ended. These basic financial statements are the responsibility of the Immokalee Water & Sewer District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Immokalee Water & Sewer District as of September 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 13, 2010, on our consideration of Immokalee Water & Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

INTEGRITY SERVICE EXPERIENCE

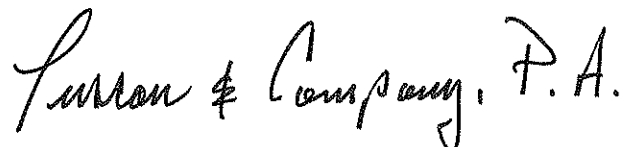
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compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages I-X is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Immokalee Water & Sewer District taken as a whole. The accompanying Schedule of Revenues, Expenses and Changes in Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual with Reconciliation to GAAP Basis, for the year ended September 30, 2009, is presented for purposes of additional analysis and is not a required part of the basic financial statements but is information required by the Governmental Accounting Standards Board. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Immokalee Water & Sewer District taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2009, is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and State of Florida Auditor General Rule 10.550, as applicable, and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and provisions of OMB Circular A-133 and State of Florida, Auditor General Rule 10.550, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements take as a whole.

A handwritten signature in cursive script that reads "Tuscán & Company, P.A.".

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 13, 2010

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

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2009

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, 2009.

Basic Financial Statements

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

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

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

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

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

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2009

Condensed Financial Statement

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

	2009	2008
Current and other assets	\$ 8,177,613	\$ 6,676,086
Capital assets, net	<u>26,385,923</u>	<u>26,354,622</u>
Total assets	<u>\$ 34,563,536</u>	<u>\$ 33,030,708</u>
Current liabilities	\$ 1,820,423	\$ 2,024,131
Long-term liabilities	<u>14,719,793</u>	<u>15,162,995</u>
Total liabilities	<u>16,540,216</u>	<u>17,187,126</u>
Net assets:		
Invested in capital assets, net of related debt	11,278,223	10,855,861
Restricted	1,375,523	1,030,742
Unrestricted	<u>5,369,574</u>	<u>3,956,979</u>
Total net assets	<u>18,023,320</u>	<u>15,843,582</u>
Total liabilities and net assets	<u>\$ 34,563,536</u>	<u>\$ 33,030,708</u>
Operating revenue:		
Water service	\$ 2,510,532	\$ 2,484,772
Wastewater service	4,091,793	4,059,473
Meter service charges	499,465	489,446
Late fees	75,400	90,745
Reconnection /transfer fee	155,173	153,609
Miscellaneous revenue	<u>87,153</u>	<u>70,041</u>
Total operating revenues	<u>7,419,516</u>	<u>7,348,086</u>
Operating expenses:		
Water treatment and distribution expense	1,296,602	1,331,818
Wastewater treatment expense	1,630,469	1,589,313
Wastewater collection expense	399,808	447,022
Customer service and administrative expense	831,527	834,021
Maintenance	<u>263,750</u>	<u>251,399</u>
Total operating expenses, excluding depreciation	4,422,156	4,453,573
Depreciation and amortization	<u>1,391,486</u>	<u>1,341,313</u>
Total operating expenses, including depreciation	<u>5,813,642</u>	<u>5,794,886</u>
Operating profit (loss)	1,605,874	1,553,200
Net nonoperating revenue/expense	<u>(533,884)</u>	<u>(609,979)</u>
Profit (loss) before capital grants	1,071,990	943,221
Capital grants and contributions	<u>1,107,748</u>	<u>2,600,487</u>
Increase (Decrease) in net assets	2,179,738	3,543,708
Beginning of year net assets	<u>15,843,582</u>	<u>12,299,874</u>
End of year net assets	<u>\$ 18,023,320</u>	<u>\$ 15,843,582</u>

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2009

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, 2009.

Financial Highlights

- The District implemented a 5% rate increase in water and wastewater user fees on January 1, 2008, and a 5% rate increase on January 1, 2009.
- The District ended the year September 30, 2009, with a net asset balance of \$18,023,320 of which \$11,278,223 represented the amount invested in capital assets net of related debt and \$5,369,574 was unrestricted. The ending net asset amount was \$2,179,738 more than the net asset balance at the beginning of the year. This was primarily a result of the implementation of the previous rate increases, and contributed capital by developers.
- The District realized a profit before capital contributions, for the year ended September 30, 2009 of \$1,071,990. This is the third consecutive year that the District has shown a profit. This is mainly due to completely funding depreciation, and for the Board's new policy in funding maintenance and other reserves.
- This net operating profit is a sign that indicates that the long-term strategies that have implemented are beginning to reverse the deteriorating financial trend.
- The District has minimized interest expense, because of utilizing low interest loans for capital projects funded through USDA Rural Development. These interest rates range from 4.375% to 5.125%. The projects are a combination of loans and grants with the highest grant ratio to date being at 57% of the total project.
- This year the District also qualified for an EPA loan and grant through the FDEP State Revolving Loan Program. The District will receive \$3,000,000 in funding through this program. 85% of this is "loan forgiveness", or grant funds.
- The District ended the year September 30, 2009 with cash and cash equivalents of approximately \$7,529,107. However, only \$5,389,337 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 2009, cash and cash equivalents increased by \$2,086,663. This increase resulted primarily from the additional money raised through an increase in user fees and grant proceeds from USDA Rural Development, coupled with the spending activity in the District's capital improvement program, in which the District expended over \$1,446,000 and from the servicing of the District's debt, which resulted in the spending of over \$1,134,000.

IMMOKALEE WATER & SEWER DISTRICT

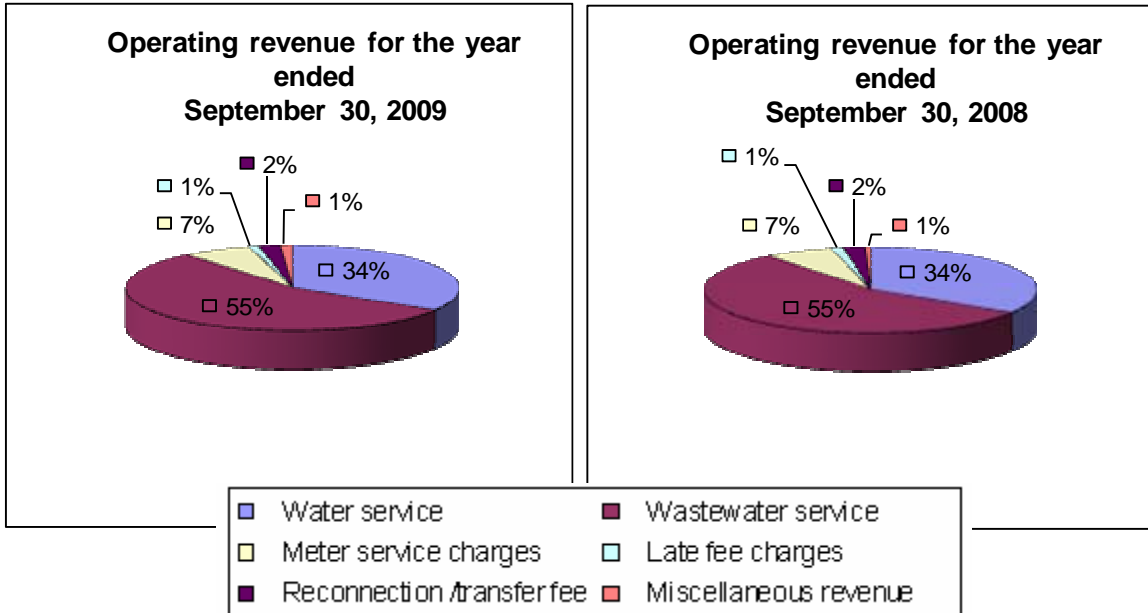
Required Supplementary Information

Management's Discussion and Analysis

September 30, 2009

- **Revenue**

The following charts show the major sources of operating revenues for the years ended September 30, 2009 and September 30, 2008:



As in previous years, the wastewater service revenues make up more than half of the revenues, accounting for 55 % of the revenues in both 2009 and 2008. Water revenue also remained constant at 34% of total revenues for 2009 and 2008. Meter service charges, late fee charges, miscellaneous revenues and reconnection fees remained constant between the two years.

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

IMMOKALEE WATER & SEWER DISTRICT

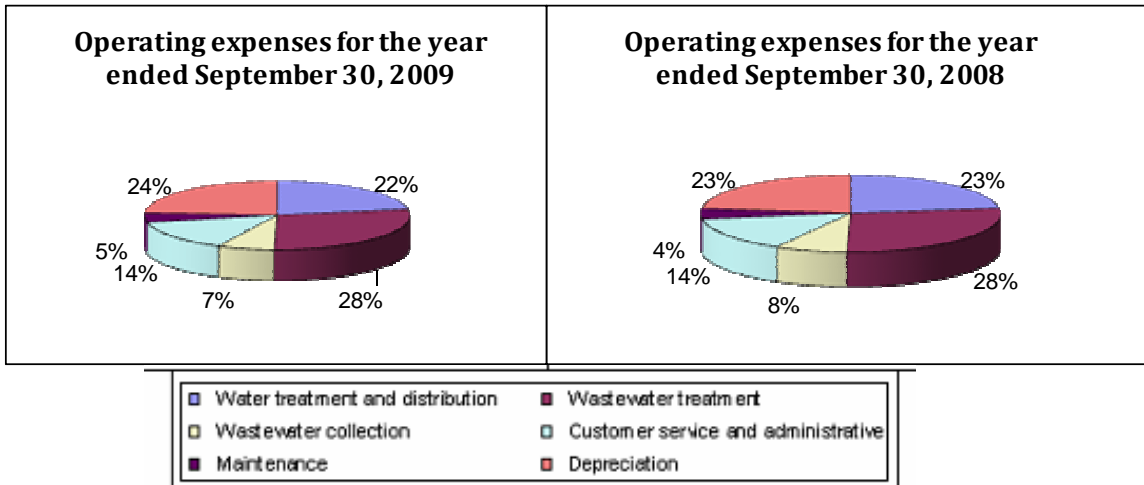
Required Supplementary Information

Management's Discussion and Analysis

September 30, 2009

Expenses

The following charges show the major sources of operating expenses for the years ended September 30, 2009 and September 30, 2008.



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, an increase of one percent, from 2008. Unlike the other expenses listed, depreciation is not a cash expense. The highest expense, at 28% of total expenses is for wastewater treatment, which remained the same between 2009 and 2008. This department is the largest one, with six full time employees and one part time employee. The largest expense in this department is Residuals Management, which accounted for over \$450,000 in expenses.

The second largest department by expenses, is the water distribution department with eleven full time employees. The related expenses reduced by one percent to 22% for 2009. We are replacing meters that are under registering, with new Neptune auto-read meters. In addition, all new residential services are required to use the Neptune auto-read meters. This will reduce the need for additional meter readers in the water department and will improve the efficiency and accuracy of the meter reading process. As of this date, there are over 3,900 meters installed with the automated meters. There are over 6,000 total meters installed, so 65% of the meters are now automated. We should be able to complete the replacement project within the next two years.

The third largest department is the administration department, which consists of nine full time employees. The related expenses remained constant at 14% of total expenses in 2009 and 2008.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

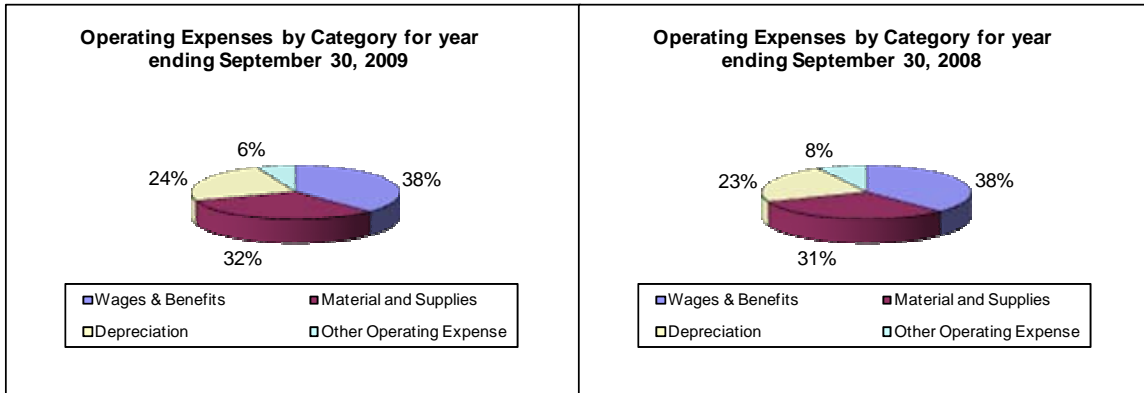
Management's Discussion and Analysis

September 30, 2009

The next largest department is the wastewater collection department, which consists of four full time employees. The related expenses decreased by one percent to 7% for 2009.

The smallest department is the maintenance department, which was created in fiscal year 2004 to reduce maintenance-related expenses from third-party vendors. A new position was created in 2008, for this department, and it now consists of four full time employees. It has increased by one percent to 5% of total expenses in 2009. 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 2009 and 2008.



Wages and benefits remained constant at 38% of the expenses in 2009, making it highest expense category. Materials and supplies increased by one percent to 32%. Depreciation expense increased by one percent to 24%, while other operating expenses decreased by two percent to 6% .

The District continues to pursue ways to reduce costs without affecting service. The District bids out contracts for major expenses, such as health insurance, property insurance, residuals management and chemicals. The District has an arrangement with Collier County Fleet Management allowing the use of their fuel tanks, located in Immokalee, to take advantage of bulk-usage savings. We were able to see a significant reduction in the costs of fuel compared to last fiscal year. This is due to nationwide price decreases. The District utilizes SUNCOM, through the Florida Department of Management Services for long distance services.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2009

General Fund Budgetary Highlights

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

Original to Final Budget Variance

Total operating revenues were decreased by approximately \$480,000 (or 6%) less than originally budgeted, and total operating expenses, excluding depreciation expense, was decreased by over \$560,000 (or 11%). Budgeted depreciation expense increased by over \$42,000 (or 3%), to reflect the new capitalized infrastructure.

Interest income was decreased by more than \$38,000. Contributed capital – customers was increased by almost \$2,000. Contributed capital – developers was increased by over \$290,000, and debt proceeds USDA was decreased to reflect the amount of grant money that was allocated.

Final Budget to Actual Variance

Over the five departments, an additional \$11,000 over budgeted operating expenses were expended.

\$1,400 in budgeted interest expenses were not expended. \$38,000 in bad debt expense was not realized. \$8,200,000 in capital expenditures, mostly related to the Wastewater Plant Expansion project, were not utilized during the fiscal year, and the related \$4,932,000 in debt proceeds, and approximately \$3,409,000 in grant funds were also not received.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2009

Capital Assets

The District's capital assets as of September 30, 2009 and 2008 amounted to \$26,385,923 and \$26,354,622 (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>2009</u>	<u>2008</u>
Construction in progress	\$ (2,667,062)	\$ 2,900,514
Buildings and improvements	-	(743)
Water and wastewater plants and systems	4,034,223	1,906,737
Machinery and equipment	(34,916)	255,898
	<u>\$ 1,332,245</u>	<u>\$ 5,062,406</u>

That part of the CSI project (Plant-System Expansion) that was completed, was reclassified from construction in progress to water and wastewater plants and systems during 2009.

The District primarily acquires its assets with the proceeds from federal capital grants and revenue bonds, supplemented by user fees. USDA Rural Development is the primary source of proceeds, because they offer low interest loans for capital improvements. We also received contributed capital in the form of new water and sewer infrastructure from developers. New equipment purchases and a system expansion are part of the District's capital improvement program. Capital purchases are acquired using bids, or Florida State Contract prices. For our ongoing meter replacement program we utilize the bid prices for Neptune® meters from the City of Cape Coral. In Fiscal Year 2009 and 2008 we used our own personnel to continue the meter replacement program.

Debt

As of September 30, 2009, the District had \$14,801,169 of revenue bonds outstanding. The total amount outstanding for these categories of debt decreased by \$296,000. This reflects payments made by the District to decrease the debt.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2009

Unrestricted Net Assets

As of September 30, 2009, the District had designated \$3,613,008 in unrestricted net assets, as recommended by their auditor. The District designated \$260,000 for emergencies, \$2,497,577 for operations, \$200,000 for vehicle replacement, \$192,719 for capital equipment, and \$462,712 for maintenance reserve. The District still had \$1,756,567 in undesignated net assets at the end of 2009.

Upcoming Significant Changes or Impacts

Rate Increase: The District implemented an additional 5% rate increase for water and wastewater user fees on January 1, 2009. No rate increase was scheduled for 2010.

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 has been delayed due to the impact of the nationwide housing market,

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

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

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

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

Florida Non Profit Services is spearheading Esperanza Place - Phase 2 which will consist of 176 multi-family homes, they have also completed the site work.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2009

Other Residential:

Villa Lago is a 152 unit facility that is in the beginning planning stages, that will be constructed at Eustis Avenue and South 9th Street. The nearby Ave Maria University campus is expected to eventually impact Immokalee with increased demand for low cost residential homes for workers. Discussions were held in previous years with Lennar Homes regarding the possibility of 5,000 to 6,000 homes in the Serenoa subdivision, however, that fell through following the nationwide slump in housing prices. Barron Collier has since acquired that property, and they have not yet indicated what they plan to use the property for. Collier Enterprises has withdrawn their plans to build 400 homes near the Florida Tradeport.

Commercial

The EDC continues to market the Florida Tradeport, but has been unable to secure a key industry for that location. The National Guard took over the Immokalee Training and Manufacturing building, and they have plans to build a large facility on the Airport site. Plans were approved for the CCAA USDA Manufacturing Building at the airport. 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 Immokalee Career Center. Construction has begun on the Church of Latter Day Saints building.

Our own Community System Improvement (CSI) project continued construction during the 2009 fiscal year. This project includes the increase in capacity of the Carson Road Water Plant, and the addition of new potable water wells, water lines, fire hydrants, a sewer force main, and improvements to several lift stations.

Our Wastewater Expansion Project will begin construction during 2010. It includes an expansion from 2.5 mgd to 4.0 mgd at the existing wastewater facility. It will also include a sewer force main from Arrowhead PUD to the wastewater plant. During the year, we also received \$3,000,000 in funding from FDEP to complete several water line projects, chemical upgrades to our three water plants, and cross connection control projects throughout our community.

Request For Information

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

IMMOKALEE WATER & SEWER DISTRICT
STATEMENTS OF NET ASSETS
September 30, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash	\$ 5,389,337	\$ 3,413,620
Accounts receivable, net	399,963	484,788
Other receivables	6,397	21,000
Inventory	233,089	228,658
Prepaid expenses	<u>-</u>	<u>156,052</u>
TOTAL CURRENT ASSETS	<u>6,028,786</u>	<u>4,304,118</u>
RESTRICTED ASSETS		
Cash	2,139,770	2,028,824
Grant and other receivables	<u>9,057</u>	<u>343,144</u>
TOTAL RESTRICTED ASSETS	<u>2,148,827</u>	<u>2,371,968</u>
CAPITAL ASSETS		
Capital assets not being depreciated:		
Land	2,645,941	2,645,941
Construction in progress	460,164	3,127,226
Capital assets being depreciated:		
Buildings and improvements	1,499,680	1,499,680
Water and wastewater plants and systems	41,715,951	37,681,728
Machinery and equipment	1,636,309	1,671,225
Less:		
Accumulated depreciation	<u>(21,572,122)</u>	<u>(20,271,178)</u>
	<u>26,385,923</u>	<u>26,354,622</u>
TOTAL ASSETS	<u>\$ 34,563,536</u>	<u>\$ 33,030,708</u>

The accompanying notes are an integral part of this statement.

	<u>2009</u>	<u>2008</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable, current portion	\$ 100,122	\$ 94,811
Revenue bonds payable, current portion	347,200	296,000
Accounts and contracts payable	521,137	203,264
Accrued revenue bond interest	56,379	57,545
Other accrued expenses	22,280	31,285
Deferred revenue	-	-
TOTAL CURRENT LIABILITIES	<u>1,047,118</u>	<u>682,905</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Contracts payable	-	343,144
Retainage payable	-	291,860
Customer deposits	<u>773,305</u>	<u>706,222</u>
TOTAL CURRENT LIABILITIES (Payable from Restricted Assets)	<u>773,305</u>	<u>1,341,226</u>
LONG-TERM LIABILITIES		
Revenue bonds payable, net of current portion	14,453,969	14,801,169
Notes payable, net of current portion	206,409	306,781
Accrued compensated absences	<u>59,415</u>	<u>55,045</u>
TOTAL LONG-TERM LIABILITIES	<u>14,719,793</u>	<u>15,162,995</u>
TOTAL LIABILITIES	<u>16,540,216</u>	<u>17,187,126</u>
NET ASSETS		
Invested in capital assets, net of related debt	11,278,223	10,855,861
Restricted	1,375,522	1,030,742
Unrestricted	<u>5,369,575</u>	<u>3,956,979</u>
TOTAL NET ASSETS	<u>18,023,320</u>	<u>15,843,582</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,563,536</u>	<u>\$ 33,030,708</u>

IMMOKALEE WATER & SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Water service	\$ 2,510,532	\$ 2,484,772
Wastewater service	4,091,793	4,059,473
Meter service charge	499,465	489,446
Late fees	75,400	90,745
Reconnect and transfer fees	155,173	153,609
Miscellaneous charges, fees and other income	<u>87,153</u>	<u>70,041</u>
TOTAL OPERATING REVENUES	<u>7,419,516</u>	<u>7,348,086</u>
OPERATING EXPENSES		
Water treatment and distribution	1,296,602	1,331,818
Wastewater treatment	1,630,469	1,589,313
Wastewater collection	399,808	447,022
Customer service and administrative	831,527	834,021
Maintenance	263,750	251,399
Depreciation	<u>1,391,486</u>	<u>1,341,313</u>
TOTAL OPERATING EXPENSES	<u>5,813,642</u>	<u>5,794,886</u>
OPERATING PROFIT (LOSS)	<u>1,605,874</u>	<u>1,553,200</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	120,653	133,321
Grant income	51,420	-
Loss on disposal of fixed assets	(23,811)	(19,198)
Interest expense	(743,441)	(685,006)
Bad debt expense adjustment	3,059	(41,147)
Master plan income (expense)	39,133	(4,625)
Other income	<u>19,103</u>	<u>6,676</u>
NET NON-OPERATING EXPENSES	<u>(533,884)</u>	<u>(609,979)</u>
PROFIT (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,071,990	943,221
CAPITAL CONTRIBUTIONS		
Rural Development	647,183	2,082,909
Customers	76,869	66,426
Developers	<u>383,696</u>	<u>451,152</u>
INCREASE (DECREASE) IN NET ASSETS	2,179,738	3,543,708
NET ASSETS - Beginning of the year	<u>15,843,582</u>	<u>12,299,874</u>
NET ASSETS - End of the year	<u>\$ 18,023,320</u>	<u>\$ 15,843,582</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT
STATEMENTS OF CASH FLOWS
Years ended September 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 7,589,087	\$ 7,360,336
Cash payments to suppliers and employees	<u>(4,592,301)</u>	<u>(3,975,789)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,996,786</u>	<u>3,384,547</u>
CASH FLOWS FROM NONCAPITAL FINANCING:		
Grants received	51,420	-
Other income received	<u>19,103</u>	<u>6,676</u>
NET CASH PROVIDED BY NON CAPITAL FINANCING	<u>70,523</u>	<u>6,676</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Interest earned on investments	120,653	133,321
Acquisition and construction of capital assets	<u>(1,062,903)</u>	<u>(5,545,105)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(942,250)</u>	<u>(5,411,784)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid to satisfy BAN	-	(3,314,124)
Principal paid on serial bonds	(296,000)	(282,000)
Principal paid on capital leases	-	(2,040)
Principal paid on vehicle notes	(95,061)	(84,301)
Interest paid on bonds and other obligations	(744,607)	(727,471)
Master plan expense	39,133	(4,625)
Proceeds from debt issuance - Revenue Bonds	-	3,366,200
Proceeds from debt issuance - BAN	-	2,360,303
Proceeds from debt issuance - vehicle notes	-	199,789
Capital contributions - Rural Development	981,270	1,739,765
Membership/customer connection fees	76,869	66,426
Capital contributions - developers	<u>-</u>	<u>451,152</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(38,396)</u>	<u>3,769,074</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,086,663	1,748,513
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>5,442,444</u>	<u>3,693,931</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 7,529,107</u>	<u>\$ 5,442,444</u>

The accompanying notes are an integral part of this statement.

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
OPERATING PROFIT (LOSS)	<u>\$ 1,605,874</u>	<u>\$ 1,553,200</u>
Adjustments to reconcile operating profit to net cash provided by operating activities:		
Depreciation (non cash)	1,391,486	1,341,313
(Increase) decrease in accounts receivable	87,885	(53,519)
(Increase) decrease in other receivable	14,603	(7,071)
(Increase) decrease in inventory	(4,431)	(87,407)
(Increase) decrease in prepaid expenses	156,052	(154,462)
Increase (decrease) in accounts and contracts payable	(25,271)	415,997
Increase (decrease) in assessments receivable	-	-
Increase (decrease) in retainage payable	(291,860)	291,860
Increase (decrease) in other accrued expenses	(9,005)	(2,856)
Increase (decrease) in deferred revenue	-	(6,683)
Increase (decrease) in customer deposits	67,083	79,523
Increase (decrease) in accrued compensated absences	<u>4,370</u>	<u>14,652</u>
TOTAL ADJUSTMENTS	<u>1,390,912</u>	<u>1,831,347</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,996,786</u>	<u>\$ 3,384,547</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the years ended September 30, 2009 and 2008, the District accepted system improvements donated, after construction, by developers in the amount of \$383,696 and \$1,860,218, respectively.

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008**

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

Organization

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

Reporting entity

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

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

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

Reporting entity, continued

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

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

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

Government-wide Financial Statements

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

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."

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

Government-wide Financial Statements, continued

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

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

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

Budgetary Information

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

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

Fund accounting

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

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

Business - Type Activities - Proprietary Fund Type

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

Measurement focus

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

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

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

Basis of accounting

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

Budgetary process

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

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

The District follows these procedures in establishing budgetary data.

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

The Board of Commissioners did amend the budget during the fiscal year ended September 30, 2009 to decrease total budgeted net revenue by \$480,013 and net expenses by \$692,843. This change resulted in a budgeted net profit increase of \$212,830.

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

Cash

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

Accounts receivable/allowance for doubtful accounts

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

Inventories

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

Capital assets and depreciation

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

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

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

Capital assets and depreciation, continued

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

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

Restricted assets

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

Vacation leave and other compensated absences

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

Encumbrances

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

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

Membership (Connection) Fees

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

Income taxes

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

Fund Equity

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

Use of estimates

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

Reclassifications

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

Subsequent Events

Subsequent events have been evaluated through January 13, 2010, which is the date the basic financial statements were available to be issued.

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

Application of FASB Pronouncements to Proprietary Funds

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

NOTE B - CASH AND INVESTMENTS

At September 30, 2009 and 2008, cash and cash equivalents (including both restricted and unrestricted cash and cash equivalents) were \$7,529,107 and \$5,442,444, respectively, including unrestricted cash on hand of \$900 and \$900, respectively.

Deposits

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

	<u>Insured/ Collateralized</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
<u>September 30, 2009</u>			
Unrestricted			
Depository accounts	\$ 376,815	\$ 376,815	\$ 336,601
Money market	<u>5,051,836</u>	<u>5,051,836</u>	<u>5,051,836</u>
	<u>5,428,651</u>	<u>5,428,651</u>	<u>5,388,437</u>
Restricted			
Depository accounts	802,789	802,789	802,789
Money Market	<u>1,336,981</u>	<u>1,336,981</u>	<u>1,336,981</u>
	<u>2,139,770</u>	<u>2,139,770</u>	<u>2,139,770</u>
	<u>\$ 7,568,421</u>	<u>\$ 7,568,421</u>	<u>\$ 7,528,207</u>

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

NOTE B - CASH AND INVESTMENTS, CONTINUED

Deposits, continued

	<u>Insured/ Collateralized</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
<u>September 30, 2008</u>			
Unrestricted			
Depository accounts	\$ 364,342	\$ 364,342	\$ 168,196
Money market	<u>3,244,524</u>	<u>3,244,524</u>	<u>3,244,524</u>
	<u>3,608,866</u>	<u>3,608,866</u>	<u>3,412,720</u>
Restricted			
Depository accounts	712,316	712,316	712,316
Money Market	<u>1,316,508</u>	<u>1,316,508</u>	<u>1,316,508</u>
	<u>2,028,824</u>	<u>2,028,824</u>	<u>2,028,824</u>
	<u>\$ 5,637,690</u>	<u>\$ 5,637,690</u>	<u>\$ 5,441,544</u>

Unrestricted and restricted deposits

The District's deposits are 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).

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>2009</u>	<u>2008</u>
Construction account	\$ 2,504	\$ 10,614
Bond sinking fund reserve	1,113,625	1,100,215
Department of Environmental Protection- Deep Well Injection Reserve	220,852	216,293
Customer deposits	<u>802,789</u>	<u>701,702</u>
	<u>\$ 2,139,770</u>	<u>\$ 2,028,824</u>

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30:

	<u>2009</u>	<u>2008</u>
Customer receivables (water/sewer)	\$ 481,333	\$ 569,217
Less allowance for doubtful accounts	<u>(81,370)</u>	<u>(84,429)</u>
Net receivables	<u>\$ 399,963</u>	<u>\$ 484,788</u>

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008**

NOTE D - CAPITAL ASSET ACTIVITY

The following is a summary of changes in capital asset activity for the year ended September 30, 2009:

	Balance October 1 2008	Additions	Retirements	Adjustments/ Reclassifications	Balance September 30 2009
Capital Assets Not Being Depreciated:					
Land	\$ 2,645,941	\$ -	\$ -	\$ -	\$ 2,645,941
Construction in Progress	<u>3,127,226</u>	<u>713,875</u>	<u>-</u>	<u>(3,380,937)</u>	<u>460,164</u>
Total Capital Assets Not Being Depreciated	<u>5,773,167</u>	<u>713,875</u>	<u>-</u>	<u>(3,380,937)</u>	<u>3,106,105</u>
Capital Assets Being Depreciated:					
Buildings & Improvements	1,499,680	-	-	-	1,499,680
Water and Wastewater Plant and Systems	37,681,728	715,954	(62,668)	3,380,937	41,715,951
Machinery & Equipment	<u>1,671,225</u>	<u>16,770</u>	<u>(51,686)</u>	<u>-</u>	<u>1,636,309</u>
Total Capital Assets Being Depreciated	<u>40,852,633</u>	<u>732,724</u>	<u>(114,354)</u>	<u>3,380,937</u>	<u>44,851,940</u>
Less Accumulated Depreciation:					
Buildings & Improvements	(475,359)	(37,119)	-	-	(512,478)
Plant and Systems	(18,842,178)	(1,143,920)	53,023	-	(19,933,075)
Machinery & Equipment	<u>(953,641)</u>	<u>(210,447)</u>	<u>37,519</u>	<u>-</u>	<u>(1,126,569)</u>
Total Accumulated Depreciation	<u>(20,271,178)</u>	<u>(1,391,486)</u>	<u>90,542</u>	<u>-</u>	<u>(21,572,122)</u>
Capital Assets, Net	<u>\$ 26,354,622</u>	<u>\$ 55,113</u>	<u>\$ (23,812)</u>	<u>\$ -</u>	26,385,923
				Related debt	<u>(15,107,700)</u>
				Net assets invested in capital assets, net of related debt	<u>\$ 11,278,223</u>

NOTE D - CAPITAL ASSET ACTIVITY, CONTINUED

The depreciation expense for the years ended September 30, 2009 and 2008 was \$1,391,486 and \$1,341,313, respectively. During the year ended September 30, 2009, the District continued construction on its system-wide improvements. The District capitalized interest on the project in the amount of \$0 for the year ended September 30, 2009, and \$50,761 for the year ended September 30, 2008.

At September 30, 2009 and 2008, the District had no machinery and equipment under capital lease. The capital lease was satisfied during the year ended September 30, 2008. Included in the total depreciation expense amount was depreciation expense on the machinery and equipment under capital lease was \$0 and \$1,975, for the years ended September 30, 2009 and 2008, respectively.

At September 30, 2009, construction in progress consisted of two (2) projects, which began during the year ended September 30, 2009 as well as the work to revise the District master plan. The remaining portion of the line and pump project, which began in during the year ended September 30, 2002, was completed and transferred to water and wastewater plant and systems during the year ended September 30, 2009.

NOTE E - RETIREMENT PLAN

Plan description and provisions

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

The Plan allows all employees to participate after three (3) months creditable employment. Employees who elect to participate must contribute a minimum of three (3%) percent of their gross wages excluding overtime compensation. Employees can increase their deferral up to 100% of wages limited to \$16,500 for 2009. 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 a minimum of three (3%) of their gross wages, as defined. During the years ended September 30, 2009, 2008, and 2007, the District contributed 100% of its required contributions.

NOTE E - RETIREMENT PLAN, CONTINUED

Plan description and provisions, continued

The District's gross contributions (employer portion) to the plan for the years ended September 30, 2009, 2008, and 2007 were \$79,489, \$72,430, and \$63,904, respectively. Employee contributions to the plan were \$56,411, \$36,575, and \$30,883 for the years ended September 30, 2009, 2008, and 2007, 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 years of creditable service. A creditable year of service is defined as a year in which an eligible participant completes 1000 hours of service. Employees immediately vest in their contributions. Normal retirement shall be considered to be attainment of age 55 and completion of five (5) creditable years of service. Employees who fail to complete five (5) years creditable service vest in their respective accounts at twenty (20%) percent per completed year of creditable service. The Plan 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. Because of the restatement of the Plan during the fiscal year September 30, 2009, the District received a reimbursement for the balance in forfeitures in the amount of \$19,103. The District has no liability for losses, if any, incurred by the plan. Loans to participants are permitted from the participant's specific account. Participants should refer to the complete plan document for specific detail of the Plan.

NOTE F - BONDS PAYABLE

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

	<u>Amount</u>
Balances - September 30, 2007	\$12,012,969
Principal retired	(282,000)
Bonds issued	<u>3,366,200</u>
Balances - September 30, 2008	15,097,169
Principal retired	(296,000)
Bonds issued	<u>-</u>
Balances - September 30, 2009	<u>\$14,801,169</u>

**IMMOKALEE WATER & SEWER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009 and 2008**

NOTE F - BONDS PAYABLE, CONTINUED

Bonds payable is comprised of the following at September 30:

	<u>2009</u>	<u>2008</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.	\$ 1,050,000	\$ 1,120,000
\$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.	369,000	394,000
\$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.	398,969	414,969

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008**

NOTE F - BONDS PAYABLE, CONTINUED

	<u>2009</u>	<u>2008</u>
<p>\$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.</p>	2,926,000	2,998,000
<p>\$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.</p>	195,000	200,000
<p>\$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.</p>	3,689,000	3,756,000
<p>\$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.</p>	712,000	724,000

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008**

NOTE F - BONDS PAYABLE, CONTINUED

	<u>2009</u>	<u>2008</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>	2,095,000	2,124,000
<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>	<u>3,366,200</u>	<u>3,366,200</u>
Total	14,801,169	15,097,169
Less: current portion (due in one year)	<u>(347,200)</u>	<u>(296,000)</u>
Long-term portion	<u>\$14,453,969</u>	<u>\$14,801,169</u>

Bond Resolutions

The bond resolutions established certain accounts and determined the order in which certain revenues are to be deposited into those accounts. In addition, there are various other covenants established by the official statements and District resolutions, including such items as debt service coverage, reporting requirements, and maintenance of facilities. Management believes that it has complied, in all material respects, with these covenants. All required balances at September 30, 2009 and 2008, were maintained and are reflected as restricted deposits within these financial statements.

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008**

NOTE F - BONDS PAYABLE, CONTINUED

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

Year Ending September 30	Principal	Interest	Total
2010	\$ 347,200	\$ 709,596	\$ 1,056,796
2011	366,000	692,588	1,058,588
2012	382,000	674,657	1,056,657
2013	400,000	655,938	1,055,938
2014	420,000	636,337	1,056,337
2015-2019	2,435,000	2,851,494	5,286,494
2020-2024	2,354,000	2,246,209	4,600,209
2025-2029	2,633,969	1,659,554	4,293,523
2030-2034	2,538,000	998,700	3,536,700
2035-2039	1,479,000	495,773	1,974,773
2040-2044	942,000	221,813	1,163,813
2045-2047	504,000	44,713	548,713
	<u>\$ 14,801,169</u>	<u>\$ 11,887,372</u>	<u>\$ 26,688,541</u>

Bonded debt interest expense was \$723,109 and \$662,632 for the years ended September 30, 2009 and 2008, respectively. No bonded debt interest expense was capitalized in either year.

NOTE G - CAPITAL LEASES

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

	Amount
Balances-September 30, 2007	\$ 2,040
Principal retired	<u>(2,040)</u>
Balances-September 30, 2008	-
Principal retired	<u>-</u>
Balances-September 30, 2009	<u>\$ -</u>

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008**

NOTE G - CAPITAL LEASES, CONTINUED

Capital leases are comprised of the following at September 30:

	<u>2009</u>	<u>2008</u>
\$11,850 capital equipment lease dated June 10, 2003, payable monthly for 60 months of \$268 including interest at 13.185%. Collateralized by the respective equipment. Ownership transfers to the District at the end of the lease term via purchase option of \$1. Final payment made May 10, 2008.	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

As of September 30, 2009 and 2008 the District had no capital lease obligations.

NOTE H - BOND ANTICIPATION NOTE

\$3,366,200 Bond Anticipation Note (BAN) payable to a financial institution was issued September 24, 2007. Principal amounts were advanced, as needed, for payment of costs of the District's system-wide improvements project. Interest accrued at 5.75% per year and was payable monthly. The outstanding principal and accrued interest was paid in full on March 28, 2008 upon receiving the bonded debt (\$3,366,200) through the USDA Rural Development (Series 2008).

	<u>Amount</u>
Balance-September 30, 2007	\$ 953,821
Proceeds	2,360,303
Principal Retired	<u>(3,314,124)</u>
Balance-September 30, 2008	-
Proceeds	-
Principal Retired	-
Balance-September 30, 2009	<u>\$ -</u>

The District incurred interest expense related to the BAN for the years ended September 30, 2009 and 2008 in the amount of \$0 and \$50,761, respectively. These interest costs were capitalized as part of the cost of construction in both years. The District incurred no economic gain or loss on the retirement of this BAN.

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

NOTE I - NOTES PAYABLE

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

	<u>Amount</u>
Balances, September 30, 2007	\$ 286,104
Proceeds from issuance	199,789
Principal retired	<u>(84,301)</u>
Balances, September 30, 2008	401,592
Proceeds from issuance	-
Principal retired	<u>(95,061)</u>
Balances, September 30, 2009	<u><u>\$ 306,531</u></u>

Notes payable is comprised of the following at September 30:

	<u>2009</u>	<u>2008</u>
\$500,781 Notes payables, representing eleven (11) individual notes, for vehicles, principal and interest payable monthly over 60 months dated between October 26, 2006 and December 20, 2007 and collateralized by the respective vehicles. Interest rates range between 5.5% and 5.75% per year.	\$ 306,531	\$ 401,592
Less: Current Portion	<u>(100,122)</u>	<u>(94,811)</u>
Long Term Portion	<u><u>\$ 206,409</u></u>	<u><u>\$ 306,781</u></u>

A summary of notes payable payment requirements to maturity is as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 100,122	\$ 15,022	\$ 115,144
2011	106,259	9,135	115,394
2012	92,957	3,258	96,215
2013	<u>7,193</u>	<u>75</u>	<u>7,268</u>
	<u><u>\$ 306,531</u></u>	<u><u>\$ 27,490</u></u>	<u><u>\$ 334,021</u></u>

The District incurred interest expense related to the notes payable for the years ended September 30, 2009 and 2008, in the amount of \$20,332 and \$22,374, respectively.

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008**

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, 2007	\$ 40,393
Net Increase	<u>14,652</u>
Accrued compensated absences, September 30, 2008	55,045
Net Increase	<u>4,370</u>
Accrued compensated absences, September 30, 2009	<u><u>\$ 59,415</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 affect on the financial position of the District.

NOTE K - COMMITMENTS AND CONTINGENCIES, CONTINUED

Federal Grants, continued

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.

During the year ended September 30, 2003, the District was approved for a \$3,366,200 loan (bond) and \$3,000,000 grant from USDA Rural Development for water and wastewater improvements. The loan will ultimately be funded by USDA as a refinancing bond issue once the District completes the renovation and expansion project. Therefore, the District must seek third party interim financing to initially fund the renovation and expansion costs. USDA loan can only be used to refinance a completed project. The grant proceeds can only be requested once the loan funds have been exhausted. During the year ended September 30, 2003 the District had obtained third party interim financing in the form of a line of credit of \$500,000, and it had only drawn \$3,425 to fund the relevant closing costs. The District, however, had incurred related construction costs of \$100,692. During the year ended September 30, 2004, the District increased the amount of the line of credit to \$1,000,000 and had drawn a total amount of \$334,346. The District incurred additional related construction costs of \$449,518 including capitalized interest of \$17,463 during the year ended September 30, 2004.

As of September 30, 2005 the District had drawn a total of \$814,717 on the line of credit and had incurred additional related construction costs of \$658,029 including capitalized interest of \$28,016 during the year then ended.

As of September 30, 2006, the District had drawn a total of \$924,650 including capitalized interest of \$65,799 during the year then ended.

During the year ended September 30, 2007, the District refinanced the line of credit with a short-term Bond Anticipation Note to be drawn as needed, not to exceed \$3,366,000. As of September 30, 2007, the District had drawn a total of \$953,821 including capitalized interest of \$83,523 during the year then ended. Since the interim financing was ultimately refunded by the USDA, the interim financing is reflected on the Schedule of Expenditures of Federal Awards within these financial statements.

NOTE K - COMMITMENTS AND CONTINGENCIES, CONTINUED

Federal Grants, continued

At September 30, 2007, the District had two (2) construction commitments outstanding. These commitments include one for lines and pump stations for approximately \$1,210,000 of which no amounts were incurred at September 30, 2007. The second one was for a water treatment plant upgrade from 2.5 million/gallons per day to 4.0 million/gallons per day. The commitment was for approximately \$3,133,000, of which no amounts were incurred at September 30, 2007.

During the year ended September 30, 2008, the District refunded the short-term Bond Anticipation Note (BAN) with the \$3,366,200 Bonds - Series 2008 issued through the USDA.

At September 30, 2008, the District had one (1) construction commitment outstanding. The commitment was for a water treatment plant upgrade from 2.5 million/gallons per day to 4.0 million/gallons per day. The commitment was approximately \$259,331 (not including retainage of \$291,860), of which \$2,918,604 were incurred at September 30, 2008.

During the year ended September 30, 2009, the District completed the project. As such, the project was transferred from construction in progress to capital assets. During the year ended September 30, 2009, the District received grant proceeds, as part of the project, of \$647,183 and expended \$352,078. The District has unexpended grant funds available of \$269,908 at September 30, 2009. USDA is in the process of approving subsequent projects to allow the District to draw the remaining funds in fiscal year 2010.

During the year ended September 30, 2009, the District was approved for a \$4,932,000 loan (bond) and \$3,156,000 grant (CFDA #10.781) from USDA Rural Development for water and wastewater improvements. This funding is part of the Federal stimulus package. The loan will ultimately be funded by USDA as a refinancing bond issue once the District completes the renovation and expansion project. Therefore, the District must seek third party interim financing to initially fund the renovation and expansion costs. USDA loan can only be used to refinance a completed project. The USDA loan once funded will be repaid by operating revenue and a special assessment in the amount of \$1,060,900 which is set to begin in fiscal year ended September 30, 2010. The assessment is to be levied over a twenty (20) year period.

NOTE K - COMMITMENTS AND CONTINGENCIES, CONTINUED

Federal Grants, continued

The grant proceeds can only be requested once the loan funds have been exhausted. During the year ended September 30, 2009, the District began the process of securing the third part financing. No third party financing agreement was entered at September 30, 2009. The scope of the project, however, has been approved by USDA. No bids have been let. The District, however, had incurred related preliminary engineering costs of \$152,466.

During the year ended September 30, 2009, the District was approved for a \$3,000,000 grant from EPA (CFDA #66.458) for water and wastewater improvements including supply treatment and distribution. The grant was passed-thru Florida Department of Environmental Protection. The District must seek third party interim financing to initially fund the project. The District has incurred preliminary engineering costs of \$209,331 and has let construction bids. No construction contract has been executed as of September 30, 2009. The grant proceeds can only be requested once the loan funds have been exhausted.

NOTE L - UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at September 30:

	<u>2009</u>	<u>2008</u>
Designated for emergencies	\$ 260,000	\$ 160,000
Designated for operations	2,497,577	1,140,000
Designated for vehicle replacement	200,000	100,000
Designated for capital equipment	192,719	100,000
Designated for maintenance reserve	<u>462,712</u>	<u>299,402</u>
 Total Designated	 3,613,008	 1,799,402
 Undesignated	 <u>1,756,567</u>	 <u>2,157,577</u>
 Total unrestricted net assets	 <u>\$ 5,369,575</u>	 <u>\$ 3,956,979</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 \$1,000 to 5% of total insured value depending on the type of loss) with the risk of loss in excess of this amount transferred to the insurance carrier. Limits of general liability are \$1,000,000 per occurrence and \$2,000,000 in the aggregate. The District is third party insured for employee health as well as workers' compensation.

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

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (Non-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS
Year ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance
OPERATING REVENUES				
Water service	\$ 2,699,929	\$ 2,510,532	\$ 2,510,532	\$ -
Wastewater service	4,398,051	4,091,793	4,091,793	-
Meter service charge	515,841	499,465	499,465	-
Late fees	84,420	75,400	75,400	-
Reconnect and transfer fees	136,059	155,173	155,173	-
Miscellaneous charges, fees and other income	65,182	87,106	87,153	47
TOTAL OPERATING REVENUES	<u>7,899,482</u>	<u>7,419,469</u>	<u>7,419,516</u>	<u>47</u>
OPERATING EXPENSES				
WATER PLANTS / DISTRIBUTION				
Salaries and wages	425,286	394,493	382,082	12,411
Overtime	97,656	39,097	39,097	-
FICA	40,005	36,077	36,077	-
Unemployment taxes	1,392	644	644	-
Employer pension contribution	25,517	23,969	23,969	-
Health/life insurance	174,813	124,736	136,126	(11,390)
Workers' compensation	34,722	28,297	28,297	-
Travel and training	9,900	15,729	15,729	-
Telephone and fax	12,638	10,117	10,279	(162)
Electric	154,642	164,391	164,391	-
General liability insurance	11,578	26,311	26,311	-
Comprehensive auto insurance	8,473	8,473	8,473	-
Other insurance	51,621	57,462	57,462	-
Repairs and maintenance	66,705	133,342	133,342	-
Other contract services	84,606	67,716	70,358	(2,642)
Vehicle fuel	54,589	29,419	29,419	-
Vehicle maintenance	34,907	23,764	23,797	(33)
Licenses and permits	290	7,165	7,165	-
Chemicals	59,324	50,279	50,279	-
Other materials	109,270	25,000	23,084	1,916
Laboratory fees	19,881	20,865	20,865	-
Uniforms/clothing allowance	7,339	7,990	7,990	-
Memberships/periodicals/books	752	1,366	1,366	-
UB-TOTAL WATER PLANTS/DISTRIBUTION	<u>1,485,906</u>	<u>1,296,702</u>	<u>1,296,602</u>	<u>100</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (Non-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS
Year ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance
WASTEWATER PLANT				
Salaries and wages	298,462	322,365	321,037	1,328
Overtime	40,326	35,940	35,940	-
FICA	25,917	27,259	27,259	-
Unemployment taxes	857	352	352	-
Employer pension contribution	17,908	15,590	15,590	-
Health/life insurance	99,482	66,901	72,953	(6,052)
Workers' compensation	14,206	14,158	14,158	-
Travel and training	5,400	2,547	2,547	-
Telephone and fax	4,883	4,578	4,547	31
Electric	218,936	217,484	217,484	-
Section 8 electric	16,064	16,235	16,235	-
General liability insurance	17,178	17,574	17,574	-
Comprehensive auto insurance	5,866	5,866	5,866	-
Other insurance	48,584	48,536	48,536	-
Section 8 field maintenance	29,664	24,284	24,284	-
Repairs and maintenance	62,482	157,431	128,032	29,399
Section 8 repairs	33,956	33,081	33,081	-
Other contract services	5,608	3,628	3,536	92
Vehicle fuel	29,543	20,321	20,321	-
Vehicle maintenance	17,159	13,011	13,043	(32)
Licenses and permits	5,762	10,400	10,400	-
Chemicals	69,811	35,508	35,508	-
Other materials	47,116	80,000	79,328	672
Laboratory fees	21,966	22,339	22,339	-
Residuals management	433,663	417,595	454,499	(36,904)
Uniforms/clothing allowance	5,495	5,555	5,555	-
Memberships/periodicals/books	267	465	465	-
SUB-TOTAL WASTEWATER PLANT	<u>1,576,561</u>	<u>1,619,003</u>	<u>1,630,469</u>	<u>(11,466)</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (Non-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS
Year ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance
WASTEWATER COLLECTION				
Salaries and wages	169,887	169,462	168,659	803
Overtime	13,662	15,807	15,807	-
FICA	14,042	13,943	13,943	-
Unemployment taxes	536	242	242	-
Employer pension contribution	10,193	9,085	9,085	-
Health/life insurance	63,556	44,625	48,734	(4,109)
Workers' compensation	7,818	7,995	7,995	-
Travel and training	3,600	522	522	-
Telephone and fax	1,087	1,223	1,223	-
Electric	26,610	35,052	35,052	-
General liability insurance	17,178	16,412	16,412	-
Comprehensive auto insurance	4,563	4,563	4,563	-
Other insurance	759	758	758	-
Repairs and maintenance	103,441	24,680	24,680	-
Other contract services	410	1,090	1,090	-
Vehicle fuel	15,716	9,305	9,305	-
Vehicle maintenance	27,020	13,685	13,717	(32)
Licenses and permits	75	-	-	-
Chemicals	1,650	-	-	-
Other materials	21,660	25,000	24,392	608
Uniforms/clothing allowance	2,076	2,872	2,872	-
Memberships/periodicals/books	208	757	757	-
SUB-TOTAL WASTEWATER COLLECTION	<u>505,747</u>	<u>397,078</u>	<u>399,808</u>	<u>(2,730)</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (Non-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS
Year ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance
CUSTOMER SERVICE / ADMIN				
Salaries and wages	408,577	373,787	363,787	10,000
Overtime	2,652	1,128	1,128	-
FICA	31,459	27,155	27,155	-
Unemployment taxes	1,071	448	448	-
Employer pension contribution	24,515	21,437	21,437	-
Health/life insurance	143,035	97,558	106,205	(8,647)
Workers' compensation	3,036	2,356	2,356	-
Legal services	37,000	30,000	30,000	-
Other professional services	2,500	-	-	-
Accounting/auditing	45,296	41,515	41,515	-
Engineering services	180,000	87,155	94,917	(7,762)
Travel and training	8,100	12,506	12,506	-
Telephone and fax	9,387	5,937	6,157	(220)
Postage and freight	36,191	30,463	30,463	-
General liability insurance	1,993	2,575	2,575	-
Comprehensive auto insurance	652	652	652	-
Other insurance	30,014	963	963	-
Repairs and maintenance	30,379	27,008	11,324	15,684
Other contract services	9,298	11,579	27,008	(15,429)
Vehicle fuel	693	500	500	-
Vehicle maintenance	469	161	165	(4)
Office supplies	34,249	32,000	29,996	2,004
Miscellaneous office expense	8,279	7,079	5,843	1,236
Miscellaneous bank fees	8,186	4,376	4,376	-
Miscellaneous expense	-	100	946	(846)
Advertising	6,273	5,737	5,737	-
Licenses and permits	242	175	175	-
Memberships/periodicals/books	5,687	3,193	3,193	-
SUB-TOTAL CUSTOMER SERVICE / ADMIN	<u>1,069,233</u>	<u>827,543</u>	<u>831,527</u>	<u>(3,984)</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (Non-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS
Year ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance
MAINTENANCE				
Salaries and wages	196,297	126,662	115,658	11,004
Overtime	9,864	8,087	8,087	-
FICA	15,771	8,657	8,657	-
Unemployment taxes	536	297	297	-
Employer pension contribution	11,778	9,408	9,408	-
Health/life insurance	59,172	51,419	56,104	(4,685)
Workers' compensation	8,863	9,317	9,317	-
Travel and training	3,600	612	612	-
Telephone and fax	1,617	1,863	1,909	(46)
Comprehensive auto insurance	2,607	2,586	2,586	-
Repairs and maintenance	3,727	3,777	3,777	-
Other contract services	333	1,442	1,442	-
Vehicle fuel	3,614	5,744	5,744	-
Vehicle maintenance	7,996	15,295	15,327	(32)
Licenses and permits	96	-	-	-
Other materials	6,702	22,000	21,257	743
Uniforms/clothing allowance	2,652	3,208	3,208	-
Memberships/periodicals/books	304	360	360	-
SUB-TOTAL MAINTENANCE	<u>335,529</u>	<u>270,734</u>	<u>263,750</u>	<u>6,984</u>
DEPRECIATION				
Depreciation	1,348,667	1,391,486	1,391,486	-
SUB-TOTAL DEPRECIATION	<u>1,348,667</u>	<u>1,391,486</u>	<u>1,391,486</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>6,321,643</u>	<u>5,802,546</u>	<u>5,813,642</u>	<u>(11,096)</u>
OPERATING PROFIT	<u>\$ 1,577,839</u>	<u>\$ 1,616,923</u>	<u>\$ 1,605,874</u>	<u>\$ (11,049)</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF REVENUE AND EXPENSES -
BUDGET (Non-GAAP BUDGETARY BASIS) AND
ACTUAL WITH RECONCILIATION TO GAAP BASIS
Year ended September 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING PROFIT,				
BROUGHT FORWARD	\$ 1,577,839	\$ 1,616,923	\$ 1,605,874	\$ (11,049)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	158,667	120,653	120,653	-
Contributed capital - grant	-	4,056,109	647,183	(3,408,926)
Contributed capital - customers	74,893	76,869	76,869	-
Contributed capital - developers	70,000	364,325	383,696	19,371
Debt proceeds - 2008 Series Bond	8,507,427	4,932,000	-	(4,932,000)
Debt proceeds - vehicle notes	-	-	-	-
Contributed capital - State grant	-	-	51,420	51,420
Other revenue	32,461	109,702	19,103	(90,599)
Capital expenditures	(9,077,666)	(9,656,303)	(1,446,599)	8,209,704
Principal retirement - bonds	(296,000)	(296,000)	(296,000)	-
Principal retirement - vehicle notes	(94,764)	(94,811)	(95,061)	(250)
Debt service reserve	(18,372)	(18,372)	-	18,372
Maintenance reserve	(163,310)	(204,137)	-	204,137
Master plan income (expense)	-	-	39,133	39,133
Interest expense	(744,905)	(744,858)	(743,441)	1,417
Bad debt expense	(35,000)	(35,000)	3,059	38,059
Loss on sale of assets	(2,000)	(25,000)	(23,811)	1,189
NET NON-OPERATING				
REVENUES (EXPENSES)	<u>(1,588,569)</u>	<u>(1,414,823)</u>	<u>(1,263,796)</u>	<u>151,027</u>
NET PROFIT (LOSS)	<u>\$ (10,730)</u>	<u>\$ 202,100</u>	<u>\$ 342,078</u>	<u>\$ 139,978</u>

Reconciliation:

Net profit (loss) (Non-GAAP Budgetary Basis)	\$ 342,078
Debt proceeds	-
Capital outlay	1,446,599
Principal retirement - bonds	296,000
Principal retirement - vehicle notes	<u>95,061</u>
Increase in Net Assets (GAAP Basis)	2,179,738
Net assets - beginning of the year, as restated	<u>15,843,582</u>
Net assets - end of the year	<u>\$ 18,023,320</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2009

<u>Grantor Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Revenue/ Receipts</u>	<u>Expenses/ Disbursements (1)</u>
<u>U.S. Department of Agriculture - Rural Development</u>				
Type A Program				
Water and Wastewater System Improvements- RUS Grant	10.760	\$ 3,000,000	\$ 647,183 (2) \$ (3)	352,078
Type B Program				
Water and Waste Water Disposal Loan (WWDL) (Stimulus)*	10.781	4,932,000	-	152,466
Water and Waste Water Disposal Grant (WWDG) (Stimulus)	10.781	3,156,000	-	-
<u>Environmental Protection Agency (EPA)</u>				
Type B Program				
Passed through Florida Department of Environmental Protection Supply, Treatment and Distribution (ARRA)*	66.458	<u>3,000,000</u>	<u>-</u>	<u>209,331</u>
		<u>\$ 14,088,000</u>	<u>\$ 647,183</u>	<u>\$ 713,875</u>

(1) Disbursements represent costs reimbursed and/or anticipated to be reimbursed.

(2) Includes receivable of \$9,057.

(3) Revenues include prior year retainage payable of \$291,860.

* To be initially funded through private funding sources.

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
Year ended September 30, 2009

Page 37 of 46

NOTE A - BASIS OF PRESENTATION

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

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

NOTE B - INDIRECT COSTS

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

**ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR**



TUSCAN
 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants
 American Institute of Certified Public Accountants
 Private Companies Practice Section
 Tax Division

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
 CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
 AND ON 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 the basic financial statements of Immokalee Water & Sewer District as of and for the year ended September 30, 2009 and have issued our report thereon dated January 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

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

INTEGRITY SERVICE EXPERIENCE

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify an deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain other matters that we reported to management of the Immokalee Water & Sewer District in our Report to Management dated January 13, 2010.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We, however, noted certain other matters that we reported to management of the Immokalee Water & Sewer District in our Report to Management dated January 13, 2010.

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



TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 13, 2010



TUSCAN
 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
 WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
 PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
 IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Immokalee Water & Sewer District with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to the major federal program for the year ended September 30, 2009. Immokalee Water & Sewer District's major federal program is identified in the accompanying Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable its major federal program is the responsibility of Immokalee Water & Sewer District's management. Our responsibility is to express an opinion on Immokalee Water & Sewer District's compliance based on our audit.

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

In our opinion, Immokalee Water & Sewer District complied, in all material respects, with the requirements referred to above that are applicable its major federal program for the year ended September 30, 2009.

INTEGRITY SERVICE EXPERIENCE

Internal Control Over Compliance

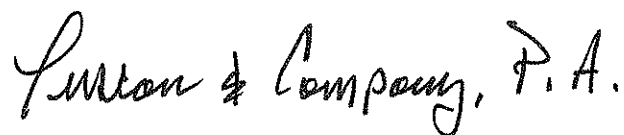
The management of Immokalee Water & Sewer District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to a federal program. In planning and performing our audit, we considered Immokalee Water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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 13, 2010

**IMMOKALEE WATER & SEWER DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED
 COSTS - FEDERAL AWARDS
 Year ended September 30, 2009**

Section I – Summary of Auditor’s Results
Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	U.S. Department of Agriculture, Rural Development

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

Auditee qualified as low-risk auditee? x Yes No

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

**IMMOKALEE WATER & SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED
COSTS - FEDERAL AWARDS
Year ended September 30, 2009**

Section II- Financial Statement Findings

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

Section III- Federal Award Findings and Questioned Costs

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

Section IV- Status of Federal Prior Year Findings

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

Subgrantees

There were no subgrantees during the year ended September 30, 2009.



INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

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

We have audited the basic financial statements of Immokalee Water & Sewer District (the "District"), as of and for the year ended September 30, 2009, and have issued our report thereon dated January 13, 2010. In connection with our audit, we are submitting the following comments and recommendations in accordance with Chapter 10.550 "Rules of the Auditor General - Local Governmental Entity Audits" (Revised September 30, 2009) Rule 10.557(3) and Section 218.39(4) of the Florida Statutes.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:

The District appears to have resolved the prior year comments except as noted below.

1. Controls Over Inventory Should Be Monitored and Enhanced, as Revised

The District has made significant improvements in the inventory system in the current year. The inventory is well organized and secured. Purchase orders and work orders are prepared for items purchased and used. The District changed their policy in the current year to require a physical count of inventory twice per year. Inventory is being counted in accordance with the policy.

In addition, the District has instituted similar procedures with the Maintenance Department and their inventory, however, the process was not complete as of the conclusion of our audit and inventory value for the Maintenance Department was not attainable.

During the audit, we preformed various tests relating to the District's inventory on hand.

We selected six (6) inventory items and preformed a physical inventory count and compared it to the inventory listing provided to us. Three (3) of the items were traced from the list to the physical inventory and three (3) items were traced from the physical inventory to the list. Of the six (6) selected, the test count was reconciled to the quantity indicated on the inventory list as of September 30, 2009.

INTEGRITY SERVICE EXPERIENCE

1. Controls Over Inventory Should Be Monitored and Enhanced, as Revised, continued

In addition, we traced the six (6) items selected to pricing information to determine if they matched the prices listed on the inventory valuation. Of the six (6), only one could be agreed to a current invoice price. Some of the discrepancies were due to donated items or estimated prices which were assigned to older, infrequently used parts.

The District uses an Excel spreadsheet to account for inventory each month. The spreadsheet calculates the ending inventory quantity and multiplies it by the price entered to determine the value of ending inventory. Some problems were noted in this system, for example an item that was indicated on a later inventory sheet was not listed on the previous month's spreadsheet. It was unclear as to whether this was due to problems with the spreadsheet or if the item was added during the internal procedures performed.

We recommend that the District continue their efforts to improve their inventory procedures, specifically, we recommend that the District continue their efforts to quantify the inventory for the maintenance department and obtain an inventory tracking software to facilitate the counting and pricing of inventory. It should be noted the District did purchase two (2) software programs in an attempt to correct this situation. In both cases, the implementation was not successful for various reasons. The District also purchased a computer scanned and print as part of the project. It is now exploring a third software option.

CURRENT YEAR COMMENTS:

1. Annual Audit Not Submitted Timely

The outstanding bond agreements require the audited financial statements to be submitted to USDA - Rural Development within 150 days of year-end. For the year ended September 30, 2008, the audit was completed and approved by the District's Board on a timely basis, however, the audited financial statements were submitted to USDA - Rural Development in 157 days which was not in compliance with the applicable bond covenant.

We recommend that audited financial statements be submitted immediately upon District Board approval to ensure timely submission.

We have included in this letter all comments which came to our attention during the course of our audit regarding Items 1 through 7, as applicable, of the "Rules of the Auditor General-Local Governmental Entity Audits," Rule 10.554, Section (1)(i). In regard to Item 2, we represent that Immokalee Water & Sewer District has complied with Florida Statute 218.415 regarding investment of public funds. In regard to Item 7(a), nothing came to our attention to cause us to believe that at any time during the year the Immokalee Water & Sewer District met any of the criteria for being in a state of financial emergency as defined in Florida Statute 218.503(1). In regard to item 7(c)(1), we applied financial condition assessment procedures pursuant to Rule 10.556(7) and noted no indications of deteriorating financial conditions. Therefore, we do not believe the District to be in a state of financial emergency as a consequence of conditions described in Section 218.503(1), of the Florida Statutes. Additionally, in regard to Item 7(b), we represent that the financial report filed with the Department of Financial Services, pursuant to Florida Statute 218.32(1)(a), is in agreement with the annual financial audit report for the same period.

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

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 13, 2010

EXHIBIT

Immokalee Water & Sewer District

February 18, 2010

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

Dear Mr. Martin:

This letter is in response to the Management Letter in the District's Year Ending September 30, 2009 audit, performed by Tuscan & Company, P.A.; which was presented to the Board on February 17, 2010 and accepted by the Board on February 17, 2010.

PRIOR YEAR COMMENTS:

1. Controls over Inventory Should be Monitored and Enhanced

The District has developed a process that will ensure a more accurate account of inventory. We have constructed a more centralized and secure room to house these items. We have purchased electronic inventory tracking software to ease the quarterly physical reconciliation. Unfortunately, the software has not been compatible with our system and requires more adjustment. We have limited funds and require technical assistance from professionals on finding the perfect fit for the District.

We understand that inventory tracking is a tedious and detailed process that must be done correctly to reduce errors and fraud. Therefore, we continue to conduct the scheduled inventory count and are keeping track of it on the excel spreadsheet until it can be safely and accurately converted on to a compatible electronic tracking system.

CURRENT YEAR COMMENTS:

1. Annual Audit Not Submitted Timely

The District has developed a new system to alert us when we need to send the audit. The District is using Outlook, which will alert us well in advance when the audit has to be sent and will keep reminding us until we check it off. Also, the District will use a calendar that is printed every month. It will also remind us to send the audit in a timely manner. The District will also continue using the check list we have.

We understand the importance of sending the audit out in time. That is why we are using three systems to ensure the timeliness of submission. With these new systems, we expect not to have another occurrence such as this one.

February 18, 2010
Page 2

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: Angela Prioleau, USDA Rural Development