

**IMMOKALEE WATER & SEWER DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**TOGETHER WITH REPORTS OF**  
**INDEPENDENT AUDITOR**  
**YEARS ENDED**  
**SEPTEMBER 30, 2010 AND 2009**

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& Company, PA

**Certified Public Accountants & Consultants**

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying basic financial statements of Immokalee Water & Sewer District (an independent special district) as of September 30, 2010 and 2009, and for the years then ended. These basic financial statements are the responsibility of the Immokalee Water & Sewer District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Immokalee Water & Sewer District as of September 30, 2010 and 2009, 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 6, 2011, on our consideration of Immokalee Water & Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

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

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 - year ended September 30, 2010, 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 - year ended September 30, 2010, 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 Rules of the Auditor General 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, Rules of the Auditor General 10.550, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements take as a whole.



TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 6, 2011

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

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2010

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, 2010.

#### **Basic Financial Statements**

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

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

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

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

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

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

#### Condensed Financial Statement

Condensed financial information from the statements of net assets and revenues, expenses and changes in net assets for the years ended September 30, 2010 and 2009 are as follows:

	2010	2009
Current and other assets	\$ 9,608,762	\$ 8,177,613
Capital assets, net	<u>28,669,627</u>	<u>26,385,923</u>
Total assets	<u>\$ 38,278,389</u>	<u>\$ 34,563,536</u>
Current liabilities	\$ 2,314,725	\$ 1,820,423
Long-term liabilities	<u>14,612,295</u>	<u>14,719,793</u>
Total liabilities	<u>16,927,020</u>	<u>16,540,216</u>
Net assets:		
Invested in capital assets, net of related debt	13,644,731	11,278,223
Restricted	1,689,597	1,375,522
Unrestricted	<u>6,017,041</u>	<u>5,369,575</u>
Total net assets	<u>21,351,369</u>	<u>18,023,320</u>
Total liabilities and net assets	<u>\$ 38,278,389</u>	<u>\$ 34,563,536</u>
Operating revenue:		
Water service	\$ 2,380,941	\$ 2,510,532
Wastewater service	3,974,151	4,091,793
Meter service charges	499,395	499,465
Late fees	80,425	75,400
Reconnection /transfer fee	126,844	155,173
Miscellaneous revenue	102,979	87,153
Cross connection control fees	<u>21,392</u>	<u>-</u>
Total operating revenues	<u>7,186,127</u>	<u>7,419,516</u>
Operating expenses:		
Water treatment and distribution expense	1,355,451	1,296,602
Wastewater treatment expense	1,356,029	1,630,469
Wastewater collection expense	411,182	399,808
Customer service and administrative expense	1,007,141	831,527
Maintenance	<u>216,665</u>	<u>263,750</u>
Total operating expenses, excluding depreciation	4,346,468	4,422,156
Depreciation and amortization	<u>1,443,217</u>	<u>1,391,486</u>
Total operating expenses, including depreciation	<u>5,789,685</u>	<u>5,813,642</u>
Operating profit (loss)	1,396,442	1,605,874
Net nonoperating revenue/expense	<u>(615,132)</u>	<u>(533,884)</u>
Profit (loss) before capital grants	781,310	1,071,990
Capital grants and contributions	<u>2,546,739</u>	<u>1,107,748</u>
Increase (Decrease) in net assets	3,328,049	2,179,738
Beginning of year net assets	<u>18,023,320</u>	<u>15,843,582</u>
End of year net assets	<u>\$ 21,351,369</u>	<u>\$ 18,023,320</u>

(Continued)

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2010

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, 2010.

#### **Financial Highlights**

- The District implemented a 5% rate increase in water and wastewater user fees on January 1, 2009.
- The District ended the year September 30, 2010, with a net asset balance of \$21,351,369 of which \$13,644,731 represented the net amount invested in capital assets and \$6,017,041 was unrestricted. The ending net asset amount was \$3,328,049 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, and grants received from stimulus (ARRA) funding.
- The District realized a profit before capital contributions, for the year ended September 30, 2010 of \$781,310. This is the fourth 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 been 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.
- Last 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, 2010 with cash, cash equivalents and investments of approximately \$8,340,060. However, only \$5,812,506 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 2010, cash and cash equivalents increased by \$310,953. This increase resulted primarily from the additional money raised through an increase in user fees in previous years and grant proceeds from FDEP, coupled with the spending activity in the District's capital improvement program, in which the District expended over \$2,977,000 and from the servicing of the District's debt, which resulted in the spending of over \$1,172,000. Most of the construction in progress (over \$3,000,000) was related to the FDEP stimulus loan and grant.



IMMOKALEE WATER & SEWER DISTRICT

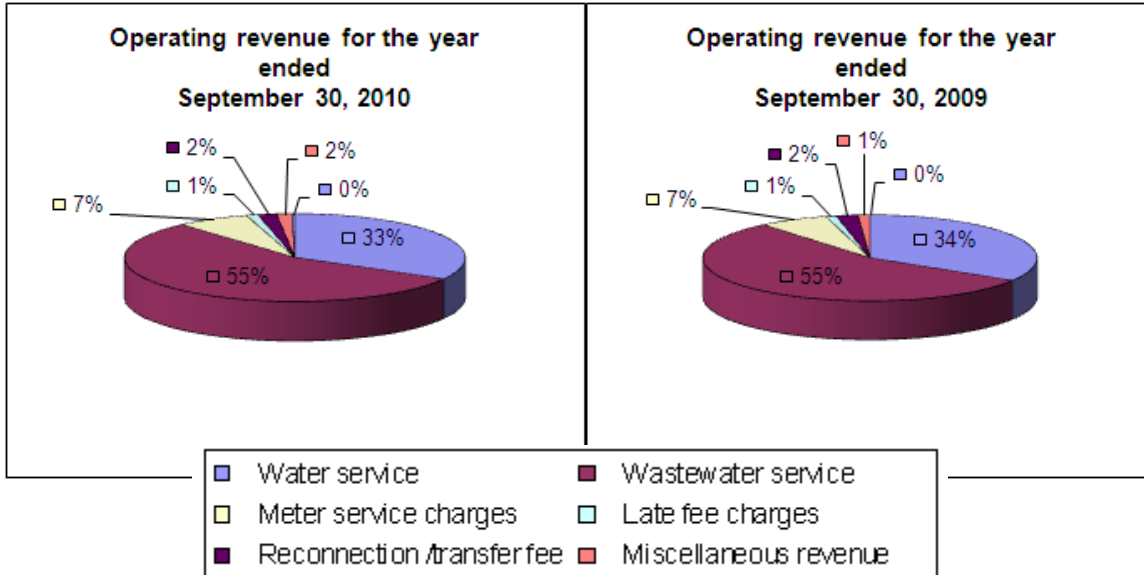
Required Supplementary Information

Management's Discussion and Analysis

September 30, 2010

- **Revenue**

The following charts show the major sources of operating revenues for the years ended September 30, 2010 and September 30, 2009:



As in previous years, the wastewater service revenues make up more than half of the revenues, accounting for 55 % of the revenues in both 2010 and 2009. Water revenue fell slightly in 2010 with 33% of total revenues for 2010 as opposed to 34% in 2009. Meter service charges, late fee charges, and reconnection fees remained constant between the two years. Miscellaneous revenues gained slightly to 2% in 2010 from 1% in 2009.

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

IMMOKALEE WATER & SEWER DISTRICT

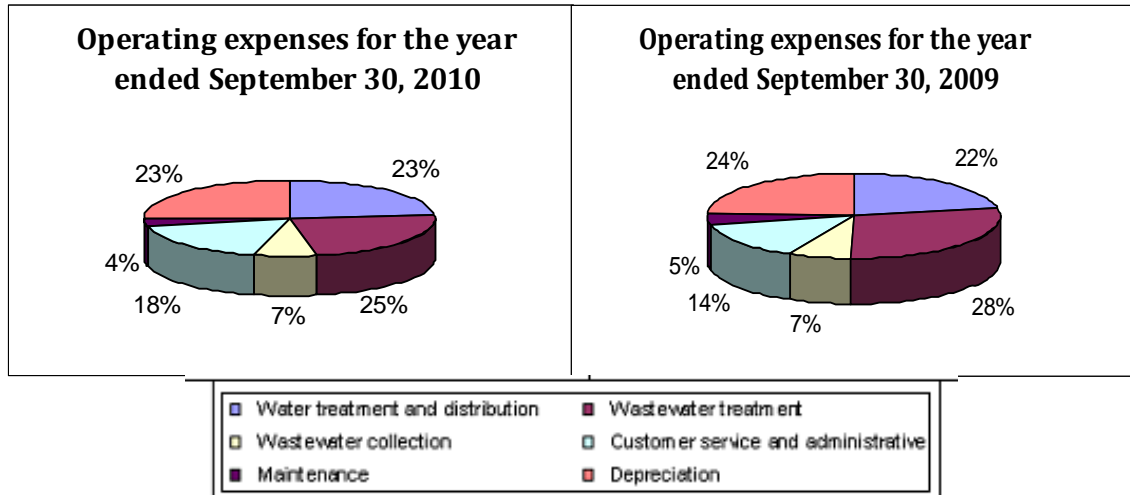
Required Supplementary Information

Management's Discussion and Analysis

September 30, 2010

**Expenses**

The following charges show the major sources of operating expenses for the years ended September 30, 2010 and September 30, 2009.



Due to the significant investment the District has made in capital assets, depreciation continues to be one the largest operating expenses at 25% of total operating expenses, an increase of one percent, from 2009. Unlike the other expenses listed, depreciation is not a cash expense. The highest cash expense, at 23% of total expenses is for wastewater treatment, which remained the same between 2009 and 2008. This department is one the largest, with six full time employees and one part time employee. The largest expense in this department is Residuals Management, which accounted for over \$402,000 in expenses.

The second largest department by expenses, is the water distribution department with eleven full time employees. The related expenses increased by one percent to 23% for 2010. 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 4,600 meters installed with the automated meters. There are over 6,200 total meters installed, so 74% 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 increased to 18% of total expenses in 2010 from 14% in 2009.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

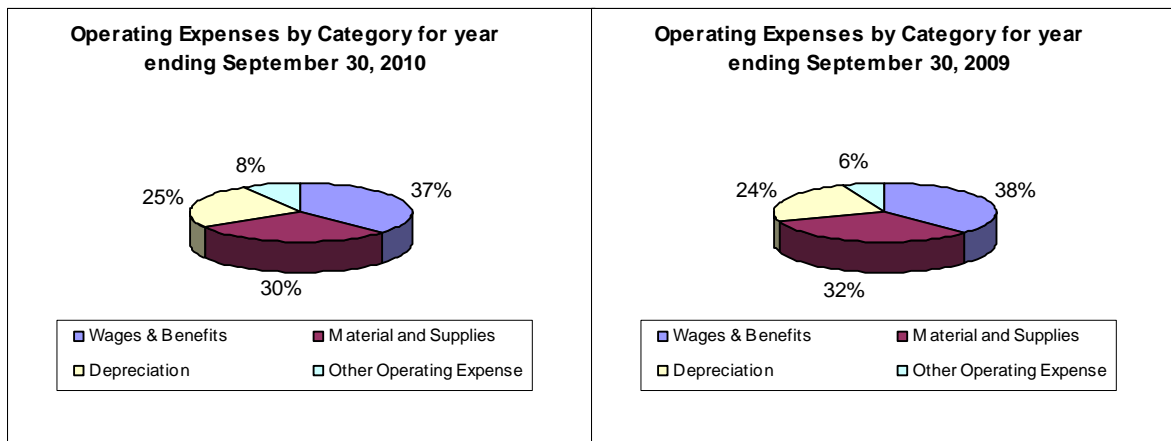
Management's Discussion and Analysis

September 30, 2010

The next largest department is the wastewater collection department, which consists of four full time employees. The related expenses remained constant at 7% for 2010 and 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 decreased by one percent to 4% of total expenses in 2010. 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 2010 and 2009.



Wages and benefits decreased by one percent to 37% of the expenses in 2010, making it highest expense category. Materials and supplies decreased by two percent to 30%. Depreciation expense increased by one percent to 25%, while other operating expenses increased by two percent to 8% .

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. 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, 2010

#### **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, reduce interest expense, adjust designated funds, and increase other uses of funds, and b) to reduce operating revenue, increase non-operating revenue, increase operating expenses, increase capital expenditures, adjust designated funds, and reduce other uses of funds.

#### Original to Final Budget Variance

Total operating revenues were decreased by approximately \$500,000 (or 7%) less than originally budgeted, and total operating expenses, excluding depreciation expense, was decreased by over \$201,000 (or 4%). Budgeted depreciation expense increased by over \$47,000 (or over 3%), to reflect the new capitalized infrastructure.

Interest income was decreased by more than \$16,000. Contributed capital – customers was decreased by \$36,000. Contributed capital – developers was increased by over \$117,000.

#### Final Budget to Actual Variance

Total operating revenue was approximately \$51,000 more than budgeted.

Over the five departments, approximately \$84,000 in budgeted operating expenses were not expended.

\$1,500 in budgeted interest expenses were not expended. \$1,500 in bad debt expense was not expended. \$8,247,000 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 \$3,156,000 in grant funds were also not received.

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2010

#### Capital Assets

The District's capital assets as of September 30, 2010 and 2009 amounted to \$28,669,627 and \$26,385,923 (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>2010</u>	<u>2009</u>
Construction in progress	\$ 3,061,536	\$ (2,667,062)
Buildings and improvements	-	-
Water and wastewater plants and systems	595,442	4,034,223
Machinery and equipment	<u>40,335</u>	<u>(34,916)</u>
	<u>\$ 3,697,313</u>	<u>\$ 1,332,245</u>

Construction in progress for 2010 was related to the FDEP (EPA) stimulus project. A 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 2010 and 2009 we used our own personnel to continue the meter replacement program.

#### Debt

As of September 30, 2010, the District had \$14,453,969 of revenue bonds outstanding. The total amount outstanding for these categories of debt decreased by \$347,200. 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, 2010

#### **Unrestricted Net Assets**

As of September 30, 2010, the District had designated \$4,176,084 in unrestricted net assets, as recommended by their auditor. The District designated \$360,000 for emergencies, \$2,497,577 for operations, \$300,000 for vehicle replacement, \$315,740 for capital equipment, and \$702,767 for maintenance reserve. The District still had \$1,840,957 in undesignated net assets at the end of 2010.

#### **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 or 2011.

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. During 2010, residents returned to the complex.

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

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

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2010

#### Other Residential:

The nearby Ave Maria University campus is expected to eventually impact Immokalee with increased demand for low cost residential homes for workers. Discussions were held in previous years with Lennar Homes regarding the possibility of 5,000 to 6,000 homes in the Serenoa subdivision, however, that effort failed 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 1<sup>st</sup> 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 been completed on the Church of Latter Day Saints building.

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

During 2010, we began construction using the \$3,000,000 in funding from FDEP to complete several water line projects, chemical upgrades to our three water plants, and cross connection control projects throughout our community. Our Wastewater Expansion Project will begin construction during 2011. 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.

#### **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, 2010 and 2009**

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 5,312,506	\$ 5,389,337
Investment	500,000	-
Accounts receivable, net	411,207	399,963
Other receivables	11,707	6,397
Inventory	241,598	233,089
Prepaid expenses	<u>59,842</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>6,536,860</u>	<u>6,028,786</u>
<b>RESTRICTED ASSETS</b>		
Cash	2,527,554	2,139,770
Grant and other receivables	<u>544,348</u>	<u>9,057</u>
TOTAL RESTRICTED ASSETS	<u>3,071,902</u>	<u>2,148,827</u>
<b>CAPITAL ASSETS</b>		
Capital assets not being depreciated:		
Land	2,645,941	2,645,941
Construction in progress	3,521,700	460,164
Capital assets being depreciated:		
Buildings and improvements	1,499,680	1,499,680
Water and wastewater plants and systems	42,311,393	41,715,951
Machinery and equipment	1,676,644	1,636,309
Less:		
Accumulated depreciation	<u>(22,985,731)</u>	<u>(21,572,122)</u>
	<u>28,669,627</u>	<u>26,385,923</u>
TOTAL ASSETS	<u>\$ 38,278,389</u>	<u>\$ 34,563,536</u>

The accompanying notes are an integral part of this statement.



	<u>2010</u>	<u>2009</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable, current portion	\$ 106,259	\$ 100,122
Revenue bonds payable, current portion	366,000	347,200
Accounts payable	376,086	521,137
Accrued revenue bond interest	55,028	56,379
Other accrued expenses	29,047	22,280
Deferred revenue	-	-
TOTAL CURRENT LIABILITIES	<u>932,420</u>	<u>1,047,118</u>
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Contracts payable	434,715	-
Retainage payable	138,434	-
Customer deposits	809,156	773,305
TOTAL CURRENT LIABILITIES (Payable from Restricted Assets)	<u>1,382,305</u>	<u>773,305</u>
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds payable, net of current portion	14,087,969	14,453,969
Loan payable - DEP. SRF	364,979	-
Notes payable, net of current portion	99,689	206,409
Accrued compensated absences	59,658	59,415
TOTAL LONG-TERM LIABILITIES	<u>14,612,295</u>	<u>14,719,793</u>
TOTAL LIABILITIES	<u>16,927,020</u>	<u>16,540,216</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	13,644,731	11,278,223
Restricted	1,689,597	1,375,522
Unrestricted	6,017,041	5,369,575
TOTAL NET ASSETS	<u>21,351,369</u>	<u>18,023,320</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,278,389</u>	<u>\$ 34,563,536</u>

**IMMOKALEE WATER & SEWER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Cross connection control fee	\$ 21,392	\$ -
Water service	2,380,941	2,510,532
Wastewater service	3,974,151	4,091,793
Meter service charge	499,395	499,465
Late fees	80,425	75,400
Reconnect and transfer fees	126,844	155,173
Miscellaneous charges, fees and other income	<u>102,979</u>	<u>87,153</u>
TOTAL OPERATING REVENUES	<u>7,186,127</u>	<u>7,419,516</u>
<b>OPERATING EXPENSES</b>		
Water treatment and distribution	1,355,451	1,296,602
Wastewater treatment	1,356,029	1,630,469
Wastewater collection	411,182	399,808
Customer service and administrative	1,007,141	831,527
Maintenance	216,665	263,750
Depreciation	<u>1,443,217</u>	<u>1,391,486</u>
TOTAL OPERATING EXPENSES	<u>5,789,685</u>	<u>5,813,642</u>
<b>OPERATING PROFIT (LOSS)</b>	<u>1,396,442</u>	<u>1,605,874</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	127,207	120,653
Grant income	-	51,420
Loss on disposal of fixed assets	(10,854)	(23,811)
Interest expense	(723,056)	(743,441)
Bad debt expense adjustment	(8,429)	3,059
Master plan income	-	39,133
Other income	<u>-</u>	<u>19,103</u>
NET NON-OPERATING EXPENSES	<u>(615,132)</u>	<u>(533,884)</u>
PROFIT (LOSS) BEFORE CAPITAL CONTRIBUTIONS	781,310	1,071,990
<b>CAPITAL CONTRIBUTIONS</b>		
Rural Development	260,166	647,183
FDEP	2,068,218	-
Customers	30,875	76,869
Developers	<u>187,480</u>	<u>383,696</u>
INCREASE (DECREASE) IN NET ASSETS	3,328,049	2,179,738
<b>NET ASSETS - Beginning of the year</b>	<u>18,023,320</u>	<u>15,843,582</u>
<b>NET ASSETS - End of the year</b>	<u>\$ 21,351,369</u>	<u>\$ 18,023,320</u>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT  
STATEMENTS OF CASH FLOWS  
Years ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 7,196,995	\$ 7,589,087
Cash payments to suppliers and employees	<u>(4,552,860)</u>	<u>(4,300,441)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,644,135</u>	<u>3,288,646</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING:</b>		
Grants received	-	51,420
Other income received	<u>-</u>	<u>19,103</u>
NET CASH PROVIDED BY NON CAPITAL FINANCING	<u>-</u>	<u>70,523</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(2,977,146)	(1,354,763)
Principal paid on serial bonds	(347,200)	(296,000)
Principal paid on vehicle notes	(100,583)	(95,061)
Interest paid on bonds and other obligations	(724,407)	(744,607)
Master plan income	-	39,133
Proceeds from debt issuance - FDEP	293,981	-
Capital contributions - Rural Development	198,198	981,270
Capital contributions - FDEP	1,665,893	-
Membership/customer connection fees	<u>30,875</u>	<u>76,869</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,960,389)</u>	<u>(1,393,159)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Interest earned on investments	127,207	120,653
Purchase of certificate of deposit	<u>(500,000)</u>	<u>-</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(372,793)</u>	<u>120,653</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	310,953	2,086,663
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>7,529,107</u>	<u>5,442,444</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 7,840,060</u>	<u>\$ 7,529,107</u>

The accompanying notes are an integral part of this statement.

	<u>2010</u>	<u>2009</u>
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
<b>OPERATING PROFIT (LOSS)</b>	<u>\$ 1,396,442</u>	<u>\$ 1,605,874</u>
Adjustments to reconcile operating profit to net cash provided by operating activities:		
Depreciation (non cash)	1,443,217	1,391,486
(Increase) decrease in accounts receivable	(19,673)	87,885
(Increase) decrease in other receivable	(5,310)	14,603
(Increase) decrease in inventory	(8,509)	(4,431)
(Increase) decrease in prepaid expenses	(59,842)	156,052
Increase (decrease) in accounts and contracts payable	(145,051)	(25,271)
Increase (decrease) in other accrued expenses	6,767	(9,005)
Increase (decrease) in customer deposits	35,851	67,083
Increase (decrease) in accrued compensated absences	<u>243</u>	<u>4,370</u>
TOTAL ADJUSTMENTS	<u>1,247,693</u>	<u>1,682,772</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,644,135</u>	<u>\$ 3,288,646</u>

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

During the years ended September 30, 2010 and 2009, the District accepted system improvements donated, after construction, by developers in the amount of \$187,480 and \$383,696, respectively.

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

**Organization**

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

**Reporting Entity**

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

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

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

**Reporting Entity, continued**

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

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

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

**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, 2010 to decrease total budgeted net revenue by \$500,929 and net expenses by \$484,699. This change resulted in a budgeted net profit decrease of \$16,230.

**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 6, 2011, 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, 2010 and 2009, cash and cash equivalents (including both restricted and unrestricted cash and cash equivalents) were \$7,840,060 and \$7,529,107, 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, 2010</u>			
Unrestricted			
Depository accounts	\$ 244,753	\$ 244,753	\$ 150,844
Money market	<u>5,160,762</u>	<u>5,160,762</u>	<u>5,160,762</u>
	<u>5,405,515</u>	<u>5,405,515</u>	<u>5,311,606</u>
Restricted			
Depository accounts	909,242	909,242	822,058
Money Market	<u>1,705,496</u>	<u>1,705,496</u>	<u>1,705,496</u>
	<u>2,614,738</u>	<u>2,614,738</u>	<u>2,527,554</u>
	<u>\$ 8,020,253</u>	<u>\$ 8,020,253</u>	<u>\$ 7,839,160</u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010 and 2009**

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

**Deposits, continued**

	<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>

**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). As such, the District resolved to abide by Florida Statute 218.415(17).

**Restricted Deposits**

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

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

	<u>2010</u>	<u>2009</u>
Construction account	\$ 5,965	\$ 2,504
Bond sinking fund reserve	1,477,961	1,113,625
Department of Environmental Protection- Deep Well Injection Reserve	224,876	220,852
Customer deposits	<u>818,752</u>	<u>802,789</u>
	<u>\$ 2,527,554</u>	<u>\$ 2,139,770</u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010 and 2009**

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

**Investments**

Florida Statutes and the District's investment policy authorize investments in certificates of deposit (CD). Certificates of deposit whose values exceed the amount of the federal depository insurance are collateralized pursuant to the Public Depository Security Act of the State of Florida. The District had \$500,000 and \$0 (bank and book balance) invested in certificates of deposit at September 30, 2010 and 2009, respectively. The CD carried an interest rate of 2.20 % and matures December 4, 2012.

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at September 30:

	<u>2010</u>	<u>2009</u>
Customer receivables (water/sewer)	\$ 483,815	\$ 481,333
Less allowance for doubtful accounts	<u>(72,608)</u>	<u>(81,370)</u>
Net receivables	<u>\$ 411,207</u>	<u>\$ 399,963</u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010 and 2009**

**NOTE D - CAPITAL ASSET ACTIVITY**

The following is a summary of changes in capital asset activity for the year ended September 30, 2010:

	Balance October 1 2009	Additions	Retirements	Adjustments/ Reclassifications	Balance September 30 2010
Capital Assets Not					
Being Depreciated:					
Land	\$ 2,645,941	\$ -	\$ -	\$ -	\$ 2,645,941
Construction in Progress	460,164	3,061,536	-	-	3,521,700
Total Capital Assets Not					
Being Depreciated	<u>3,106,105</u>	<u>3,061,536</u>	<u>-</u>	<u>-</u>	<u>6,167,641</u>
Capital Assets					
Being Depreciated:					
Buildings & Improvements	1,499,680	-	-	-	1,499,680
Water and Wastewater					
Plant and Systems	41,715,951	619,256	(23,814)	-	42,311,393
Machinery & Equipment	<u>1,636,309</u>	<u>56,983</u>	<u>(16,648)</u>	<u>-</u>	<u>1,676,644</u>
Total Capital Assets					
Being Depreciated	<u>44,851,940</u>	<u>676,239</u>	<u>(40,462)</u>	<u>-</u>	<u>45,487,717</u>
Less Accumulated					
Depreciation:					
Buildings & Improvements	(512,478)	(37,119)	-	-	(549,597)
Plant and Systems	(19,933,075)	(1,194,340)	29,608	-	(21,097,807)
Machinery & Equipment	<u>(1,126,569)</u>	<u>(211,758)</u>	<u>-</u>	<u>-</u>	<u>(1,338,327)</u>
Total Accumulated Depreciation	<u>(21,572,122)</u>	<u>(1,443,217)</u>	<u>29,608</u>	<u>-</u>	<u>(22,985,731)</u>
Capital Assets, Net	<u>\$ 26,385,923</u>	<u>\$ 2,294,558</u>	<u>\$ (10,854)</u>	<u>\$ -</u>	28,669,627
				Related debt	<u>(15,024,896)</u>
			Net assets invested in capital		
			assets, net of related debt		<u>\$ 13,644,731</u>



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

The depreciation expense for the years ended September 30, 2010 and 2009 was \$1,443,217 and \$1,391,486, 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, 2010, and \$0 for the year ended September 30, 2009.

At September 30, 2010, construction in progress consisted of two (2) projects, which began during the year ended September 30, 2009. 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 2010. 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, 2010, 2009, and 2008, the District contributed 100% of its required contributions.

The District's gross contributions (employer portion) to the plan for the years ended September 30, 2010, 2009, and 2008 were \$83,059, \$79,489, and \$72,430, respectively. Employee contributions to the plan were \$67,697, \$56,411, and \$36,575 for the years ended September 30, 2010, 2009, and 2008, respectively.

**NOTE E - RETIREMENT PLAN, CONTINUED**

**Plan Description and Provisions, continued**

Benefits available are limited to the value of the respective employee's individual account. Individuals direct the investment of their individual account. Benefits vest at a rate of twenty (20%) percent per year of creditable service and vest in full after five years of creditable service. A creditable year of service is defined as a year in which an eligible participant completes 1000 hours of service. Employees immediately vest in their contributions. Normal retirement shall be considered to be attainment of age 55 and completion of five (5) creditable years of service. Employees who fail to complete five (5) years creditable service vest in their respective accounts at twenty (20%) percent per completed year of creditable service. The Plan requires retirement at April 1 following the date the participant reaches age 70 1/2. The Plan provides that forfeitures of employer contributions by non-vested terminated employees are to be used to offset future employer contributions. Therefore, employer contributions made to employee accounts who fail to complete the respective year revert back to the employer. Because of the restatement of the Plan during the fiscal year September 30, 2010, the District received a reimbursement for the balance in forfeitures in the amount of \$0. 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, 2008	\$15,097,169
Principal retired	(296,000)
Bonds issued	<u>-</u>
Balances - September 30, 2009	14,801,169
Principal retired	(347,200)
Bonds issued	<u>-</u>
Balances - September 30, 2010	<u><u>\$14,453,969</u></u>

**IMMOKALEE WATER & SEWER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010 and 2009**

**NOTE F - BONDS PAYABLE, CONTINUED**

Bonds payable is comprised of the following at September 30:

	<u>2010</u>	<u>2009</u>
<p>\$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.</p>	\$ 980,000	\$ 1,050,000
<p>\$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.</p>	339,000	369,000
<p>\$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.</p>	382,969	398,969

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010 and 2009**

**NOTE F - BONDS PAYABLE, CONTINUED**

	<u>2010</u>	<u>2009</u>
\$3,750,000 Series 1989, Water and Sewer Revenue Bonds, issued October 1991, through USDA Rural Development. Principal is payable annually beginning September 1, 1994 through September 1, 2031; interest payable annually at the rate of 5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	2,850,000	2,926,000
\$250,000 Series 1990, Water and Sewer Revenue Bonds, issued October 1991, through USDA Rural Development. Principal is payable annually beginning September 1, 1994 through September 1, 2031; interest payable annually at the rate of 5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	190,000	195,000
\$4,313,200 Series 1996, Water and Sewer Revenue Bonds, issued August 1996, through USDA Rural Development. Principal is payable annually beginning September 1, 1998 through September 1, 2035; interest payable annually at the rate of 5.125%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	3,618,000	3,689,000
\$802,000 Series 1998, Water and Sewer Revenue Bonds, issued October 1998, through USDA Rural Development. Principal is payable annually beginning September 1, 2001 through September 1, 2038; interest payable annually at the rate of 4.5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	700,000	712,000

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010 and 2009**

**NOTE F - BONDS PAYABLE, CONTINUED**

	<u>2010</u>	<u>2009</u>
\$2,252,000 Series 2001, Water and Sewer Refunding Bonds, issued December 2001, through USDA Rural Development. Principal is payable annually beginning September 1, 2004 through September 1, 2041; interest payable annually at the rate of 4.5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	2,064,000	2,095,000
\$3,366,200 Series 2008, Water and Sewer Revenue Bonds, issued March 28, 2008 through USDA Rural Development. Principal is payable annually beginning September 1, 2008 through September 1, 2047; interest payable annually at the rate of 4.375%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	<u>3,330,000</u>	<u>3,366,200</u>
Total	14,453,969	14,801,169
Less: current portion (due in one year)	<u>(366,000)</u>	<u>(347,200)</u>
Long-term portion	<u>\$14,087,969</u>	<u>\$14,453,969</u>

**Bond Resolutions**

The bond resolutions established certain accounts and determined the order in which certain revenues are to be deposited into those accounts. In addition, there are various other covenants established by the official statements and District resolutions, including such items as debt service coverage, reporting requirements, and maintenance of facilities. Management believes that it has complied, in all material respects, with these covenants. All required balances at September 30, 2010 and 2009, were maintained and are reflected as restricted deposits within these financial statements.

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010 and 2009**

**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
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	440,000	615,752	1,055,752
2016-2020	2,554,000	2,732,104	5,286,104
2021-2025	2,299,000	2,131,411	4,430,411
2026-2030	2,726,969	1,531,418	4,258,387
2031-2035	2,419,000	876,188	3,295,188
2036-2040	1,245,000	428,409	1,673,409
2041-2045	859,000	180,310	1,039,310
2046-2047	343,000	22,663	365,663
	<u>\$ 14,453,969</u>	<u>\$ 11,177,775</u>	<u>\$ 25,631,744</u>

Bonded debt interest expense was \$708,245 and \$723,109 for the years ended September 30, 2010 and 2009, respectively. No bonded debt interest expense was capitalized in either year.

**NOTE H - NOTE PAYABLE - FDEP.SRF**

Note payable representing 15% of a grant/loan received from the Florida Department of Environmental Protection during the year ended September 30, 2010. The maximum amount of the loan is \$3,000,000, in which the FDEP may forgive 85%. The outstanding loan balance (15% loan portion) is as follows at September 30:

	Amount
Balance-September 30, 2009	-
Proceeds	364,979
Principal Retired	-
Balance-September 30, 2010	<u>\$ 364,979</u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010 and 2009**

**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, 2008	\$ 401,592
Proceeds from issuance	-
Principal retired	<u>(95,061)</u>
Balances, September 30, 2009	306,531
Proceeds from issuance	-
Principal retired	<u>(100,583)</u>
Balances, September 30, 2010	<u>\$ 205,948</u>

Notes payable is comprised of the following at September 30:

	<u>2010</u>	<u>2009</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.	\$ 205,948	\$ 306,531
Less: Current Portion	<u>(106,259)</u>	<u>(100,122)</u>
Long Term Portion	<u>\$ 99,689</u>	<u>\$ 206,409</u>

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

Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 106,259	\$ 9,135	\$ 115,394
2012	92,496	3,258	95,754
2013	<u>7,193</u>	<u>75</u>	<u>7,268</u>
	<u>\$ 205,948</u>	<u>\$ 12,468</u>	<u>\$ 218,416</u>

The District incurred interest expense related to the notes payable for the years ended September 30, 2010 and 2009, in the amount of \$14,811 and \$20,332, respectively.

**IMMOKALEE WATER & SEWER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010 and 2009**

**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, 2008	\$ 55,045
Net Increase	<u>4,370</u>
Accrued compensated absences, September 30, 2009	59,415
Net Increase	<u>243</u>
Accrued compensated absences, September 30, 2010	<u><u>\$ 59,658</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, 2009, the District completed the upgrade of a water treatment plant from 2.5 million gallons per day to 4.0 million gallons per day. As such, the project was transferred from construction in progress to capital assets. During the year ended September 30, 2009, the District received grant proceeds, as part of the project, of \$647,183 and expended \$352,078. USDA is in the process of approving subsequent projects to allow the District to draw the remaining funds in fiscal year 2010. During the fiscal year ended September 30, 2010, the District expended \$260,167 on additional projects that were approved by USDA.

At September 30, 2010, the District has approximately \$31,000 in unexpected funds from the original \$3,000,000 grant. The District has a construction commitment in the amount of \$35,603 (not including retainage of \$19,887) at September 30, 2010 for this project. Any costs in excess of the remaining grant funds are the responsibility of the District.

During the year ended September 30, 2009, the District was approved for a \$4,932,000 loan (bond) and \$3,156,000 grant (CFDA #10.781) from USDA Rural Development for water and wastewater improvements. This funding is part of the Federal Stimulus Package. The loan will ultimately be funded by USDA as a refinancing bond issue once the District completes the renovation and expansion project. Therefore, the District must seek third party interim financing to initially fund the renovation and expansion costs. USDA loan can only be used to refinance a completed project. The USDA loan once funded will be repaid by operating revenue and a special assessment in the amount of \$1,060,900 which is set to begin in fiscal year ending September 30, 2011. 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 party 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 \$209,331.

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

During the year ended September 30, 2009, the District was approved for a \$3,000,000 grant loan from EPA (CFDA #66.458) for water and wastewater improvements including supply treatment and distribution. The grant was passed-through Florida Department of Environmental Protection (FDEP). The award is part of the American Recovery and Reinvestment Act (ARRA) and is structured as a loan to the FDEP with 85% principal forgiveness. The District must seek third party interim financing to initially fund the project. The District had incurred preliminary engineering costs of \$152,466 and has let construction bids. No construction contract has been executed as of September 30, 2009. During the year ended September 30, 2010 the District has a construction commitment related to the project of \$566,012 (not including retainage of \$118,547). The District incurred costs for the project of \$2,610,955 during the year ended September 30, 2010. FDEP began funding the award during the year ended September 30, 2010. At September 30, 2010, the District had received a total of \$2,433,199 of the award as of September 30, 2010 and was recorded as \$364,979 of loan payable (15%) and \$2,068,218 of contributed capital (85%).

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010 and 2009**

**NOTE L - UNRESTRICTED NET ASSETS**

Unrestricted net assets consist of the following at September 30:

	2010	2009
Designated for emergencies	\$ 360,000	\$ 260,000
Designated for operations	2,497,577	2,497,577
Designated for vehicle replacement	300,000	200,000
Designated for capital equipment	315,740	192,719
Designated for maintenance reserve	702,767	462,712
Total Designated	4,176,084	3,613,008
Undesignated	1,840,957	1,756,567
Total unrestricted net assets	\$ 6,017,041	\$ 5,369,575

**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.

**NOTE O - SUBSEQUENT EVENT**

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

**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, 2010**

	Original Budget	Final Budget	Actual	Variance
<b>OPERATING REVENUES</b>				
Cross connection control fee	\$ -	\$ 21,392	\$ 21,392	\$ -
Water service	2,595,356	2,380,941	2,380,941	-
Wastewater service	4,220,349	3,974,151	3,974,151	-
Meter service charge	501,382	499,395	499,395	-
Late fees	83,314	80,425	80,425	-
Reconnect and transfer fees	144,984	126,844	126,844	-
Miscellaneous charges, fees and other income	90,638	51,946	102,979	51,033
TOTAL OPERATING REVENUES	<u>7,636,023</u>	<u>7,135,094</u>	<u>7,186,127</u>	<u>51,033</u>
<b>OPERATING EXPENSES</b>				
<b>WATER PLANTS / DISTRIBUTION</b>				
Salaries and wages	450,703	444,054	442,516	1,538
Overtime	19,913	158	158	-
FICA	36,002	35,767	35,767	-
Unemployment taxes	1,392	2,280	2,280	-
Employer pension contribution	27,042	25,801	25,801	-
Health/life insurance	139,772	144,670	132,670	12,000
Workers' compensation	32,887	25,241	25,241	-
Travel and training	9,900	8,432	8,432	-
Telephone and fax	9,909	13,633	13,633	-
Electric	185,965	156,128	156,128	-
General liability insurance	11,621	11,227	11,227	-
Comprehensive auto insurance	8,787	8,787	8,787	-
Other insurance	58,783	58,783	58,783	-
Repairs and maintenance	72,765	166,730	166,730	-
Other contract services	40,310	42,539	42,539	-
Vehicle fuel	33,161	30,419	30,419	-
Vehicle maintenance	30,632	10,626	10,626	-
Licenses and permits	302	14,038	14,038	-
Chemicals	58,908	61,511	61,511	-
Other materials	83,475	92,801	82,410	10,391
Laboratory fees	14,726	21,039	21,039	-
Uniforms/clothing allowance	5,600	3,452	3,407	45
Memberships/periodicals/books	1,217	1,309	1,309	-
SUB-TOTAL WATER PLANTS/DISTRIBUTION	<u>1,333,772</u>	<u>1,379,425</u>	<u>1,355,451</u>	<u>23,974</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, 2010**

	Original Budget	Final Budget	Actual	Variance
<b>WASTEWATER PLANT</b>				
Salaries and wages	306,301	320,716	319,590	1,126
Overtime	16,624	5,609	5,609	-
FICA	24,704	24,605	24,605	-
Unemployment taxes	857	1,500	1,500	-
Employer pension contribution	18,378	15,866	15,866	-
Health/life insurance	74,777	84,096	76,796	7,300
Workers' compensation	13,865	10,893	10,893	-
Travel and training	5,400	556	554	2
Telephone and fax	4,708	3,361	3,361	-
Electric	229,435	204,414	204,414	-
Section 8 electric	19,249	14,359	14,359	-
General liability insurance	16,801	16,012	16,012	-
Comprehensive auto insurance	6,083	6,083	6,083	-
Other insurance	55,325	55,325	55,325	-
Section 8 field maintenance	30,850	16,305	16,305	-
Repairs and maintenance	74,149	79,529	79,529	-
Section 8 repairs	21,199	5,695	5,695	-
Other contract services	3,378	2,262	2,262	-
Vehicle fuel	16,861	13,300	13,300	-
Vehicle maintenance	16,023	20,250	20,250	-
Licenses and permits	5,992	209	209	-
Chemicals	46,844	25,123	25,123	-
Other materials	52,455	38,809	13,808	25,001
Laboratory fees	24,036	19,201	19,201	-
Residuals management	434,294	402,382	402,383	(1)
Uniforms/clothing allowance	3,410	2,418	2,408	10
Memberships/periodicals/books	365	589	589	-
<b>SUB-TOTAL WASTEWATER PLANT</b>	<b>1,522,363</b>	<b>1,389,467</b>	<b>1,356,029</b>	<b>33,438</b>

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, 2010**

	Original Budget	Final Budget	Actual	Variance
<b>WASTEWATER COLLECTION</b>				
Salaries and wages	173,210	171,966	171,001	965
Overtime	5,191	1,356	1,356	-
FICA	13,648	13,760	13,760	-
Unemployment taxes	643	727	727	-
Employer pension contribution	10,393	9,758	9,758	-
Health/life insurance	50,619	51,686	47,286	4,400
Workers' compensation	7,719	6,375	6,375	-
Travel and training	4,500	1,154	1,004	150
Telephone and fax	1,120	1,986	1,986	-
Electric	36,235	33,242	33,242	-
General liability insurance	16,801	16,012	16,012	-
Comprehensive auto insurance	4,732	4,732	4,732	-
Other insurance	864	864	864	-
Repairs and maintenance	41,067	71,288	71,288	-
Other contract services	1,121	386	386	-
Vehicle fuel	11,762	10,562	10,562	-
Vehicle maintenance	12,577	6,976	6,976	-
Licenses and permits	-	112	111	1
Chemicals	1,650	1,500	-	1,500
Other materials	26,427	11,999	11,989	10
Uniforms/clothing allowance	2,000	1,661	1,422	239
Memberships/periodicals/books	735	345	345	-
<b>SUB-TOTAL WASTEWATER COLLECTION</b>	<u>423,014</u>	<u>418,447</u>	<u>411,182</u>	<u>7,265</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, 2010**

	Original Budget	Final Budget	Actual	Variance
CUSTOMER SERVICE / ADMIN				
Salaries and wages	383,439	376,093	376,033	60
Overtime	1,530	44	44	-
FICA	29,450	28,651	28,651	-
Unemployment taxes	1,285	1,703	1,699	4
Employer pension contribution	23,006	21,778	21,778	-
Health/life insurance	117,801	122,368	109,968	12,400
Workers' compensation	2,845	2,385	2,385	-
Legal services	37,000	33,423	33,423	-
Other professional services	1,500	1,500	-	1,500
Accounting/auditing	47,108	36,280	36,280	-
Engineering services	180,000	228,161	228,161	-
Engineering services/SRF	-	5,440	5,440	-
Travel and training	13,500	20,883	19,618	1,265
Telephone and fax	5,752	4,222	4,222	-
Postage and freight	37,368	32,816	37,816	(5,000)
General liability insurance	2,146	2,146	2,146	-
Comprehensive auto insurance	676	676	676	-
Other insurance	19,398	17,595	17,595	-
Other contract services	13,516	19,147	14,291	4,856
Repairs and maintenance	15,577	13,563	13,562	1
Vehicle fuel	627	413	414	(1)
Vehicle maintenance	343	162	86	76
Office supplies	35,619	28,623	28,622	1
Miscellaneous office expense	6,340	8,263	8,259	4
Miscellaneous bank fees	2,375	4,231	4,231	-
Miscellaneous expense	728	100	-	100
Advertising	6,655	3,997	3,997	-
Licenses and permits	254	175	175	-
Memberships/periodicals/books	5,914	7,569	7,569	-
<b>SUB-TOTAL CUSTOMER SERVICE / ADMIN</b>	<u>991,752</u>	<u>1,022,407</u>	<u>1,007,141</u>	<u>15,266</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, 2010**

	Original Budget	Final Budget	Actual	Variance
<b>MAINTENANCE</b>				
Salaries and wages	200,396	116,324	115,504	820
Overtime	14,029	25	25	-
FICA	16,404	8,569	8,569	-
Unemployment taxes	643	424	424	-
Employer pension contribution	12,024	9,856	9,856	-
Health/life insurance	57,685	45,761	42,261	3,500
Workers' compensation	9,162	6,296	6,296	-
Travel and training	3,600	156	156	-
Telephone and fax	1,810	2,450	2,450	-
Comprehensive auto insurance	2,703	2,703	2,703	-
Repairs and maintenance	1,973	4,875	4,875	-
Other contract services	922	1,496	1,496	-
Vehicle fuel	7,081	5,082	5,082	-
Vehicle maintenance	17,650	6,832	6,832	-
Licenses and permits	-	361	361	-
Other materials	12,693	8,024	8,024	-
Uniforms/clothing allowance	2,075	1,472	1,441	31
Memberships/periodicals/books	450	310	310	-
<b>SUB-TOTAL MAINTENANCE</b>	<u>361,300</u>	<u>221,016</u>	<u>216,665</u>	<u>4,351</u>
<b>DEPRECIATION</b>				
Depreciation	1,392,858	1,440,703	1,443,217	(2,514)
<b>SUB-TOTAL DEPRECIATION</b>	<u>1,392,858</u>	<u>1,440,703</u>	<u>1,443,217</u>	<u>(2,514)</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>6,025,059</u>	<u>5,871,465</u>	<u>5,789,685</u>	<u>81,780</u>
<b>OPERATING PROFIT</b>	<u>\$ 1,610,964</u>	<u>\$ 1,263,629</u>	<u>\$ 1,396,442</u>	<u>\$ 132,813</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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OPERATING PROFIT,</b>				
<b>BROUGHT FORWARD</b>	\$ 1,610,964	\$ 1,263,629	\$ 1,396,442	\$ 132,813
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	144,000	127,069	127,207	138
Contributed capital - grant - FDEP	-	3,000,000	260,166	(2,739,834)
Contributed capital - grant - USDA	3,156,000	3,385,087	2,068,218	(1,316,869)
Contributed capital - customers	67,404	31,000	30,875	(125)
Contributed capital - developers	70,000	187,480	187,480	-
Debt proceeds - USDA	4,932,000	4,932,000	-	(4,932,000)
Debt proceeds - Other	-	450,000	-	(450,000)
Debt proceeds - FDEP	-	-	364,979	364,979
Other revenue	38,276	51,034	-	(51,034)
Capital expenditures	(8,225,404)	(11,985,567)	(3,737,775)	8,247,792
Principal retirement - bonds	(347,200)	(347,200)	(347,200)	-
Principal retirement - vehicle notes	(100,372)	(100,122)	(100,583)	(461)
Maintenance reserve	(240,055)	(240,055)	-	240,055
Interest expense	(1,043,646)	(724,618)	(723,056)	1,562
Bad debt expense	(35,000)	(10,000)	(8,429)	1,571
Loss on sale of assets	(2,000)	(11,000)	(10,854)	146
NET NON-OPERATING REVENUES (EXPENSES)	<u>(1,585,997)</u>	<u>(1,254,892)</u>	<u>(1,888,972)</u>	<u>(634,080)</u>
NET PROFIT (LOSS)	<u>\$ 24,967</u>	<u>\$ 8,737</u>	<u>\$ (492,530)</u>	<u>\$ (501,267)</u>
<b>Reconciliation:</b>				
Net profit (loss) (Non-GAAP Budgetary Basis)			\$ (492,530)	
Debt proceeds			(364,979)	
Capital outlay			3,737,775	
Principal retirement - bonds			347,200	
Principal retirement - vehicle notes			<u>100,583</u>	
Increase in Net Assets (GAAP Basis)			3,328,049	
Net assets - beginning of the year, as restated			<u>18,023,320</u>	
Net assets - end of the year			<u>\$ 21,351,369</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, 2010**

<u>Grantor Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Revenue/ Receipts</u>	<u>Expenses/ Disbursements (1)</u>
<b><u>U.S. Department of Agriculture - Rural Development</u></b>				
Type A Program				
Water and Waste Water Disposal Loan (WWDL) (Stimulus/ARRA)*	10.781	\$ 4,932,000	\$ -	\$ 450,542
Water and Waste Water Disposal Grant (WWDG) (Stimulus/ARRA)	10.781	3,156,000	-	-
Type B Program				
Water and Wastewater System Improvements- RUS Grant	10.760	3,000,000	260,166 (1)	260,166
<b><u>Environmental Protection Agency (EPA)</u></b>				
Type A Program				
Passed through Florida Department of Environmental Protection Supply, Treatment and Distribution (ARRA)*	66.458	<u>3,000,000</u>	<u>2,433,197</u> (2)	<u>2,610,994</u>
		<u>\$ 14,088,000</u>	<u>\$2,693,363</u>	<u>\$ 3,321,702</u>

(1) Includes receivable of \$71,025.

(2) Includes receivable of \$473,323 and loan portion of contract of \$364,979. This loan is reflected as a note payable at September 30, 2010 by the District.

\* 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, 2010**

**NOTE A - BASIS OF PRESENTATION**

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

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

**NOTE B - INDIRECT COSTS**

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

**ADDITIONAL REPORTS OF  
INDEPENDENT AUDITOR**



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

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

We have audited the financial statements of Immokalee Water and Sewer District as of and for the year ended September 30, 2010, and have issued our report thereon dated January 6, 2011. 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 and Sewer District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Immokalee Water and Sewer District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Immokalee Water and Sewer District's internal control over financial reporting.

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

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

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

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

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

#### Compliance and Other Matters

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

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

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

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 6, 2011



**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  
 That Could Have a Direct and Material Effect on Each Major  
 Program and on Internal Control Over Compliance in Accordance  
 With OMB Circular A-133**

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

Compliance

We have audited Immokalee Water & Sewer District's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Immokalee Water and Sewer District's major federal programs for the year ended September 30, 2010. Immokalee Water and Sewer District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Immokalee Water and Sewer District's management. Our responsibility is to express an opinion on Immokalee Water and Sewer District's compliance based on our audit.

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

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In our opinion, Immokalee Water and Sewer District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

#### Internal Control Over Compliance

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

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

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

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

*Tuscan & Company, P.A.*

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 6, 2011

**IMMOKALEE WATER & SEWER DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED  
 COSTS - FEDERAL AWARDS  
 Year ended September 30, 2010**

***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	<u>    x    </u>	No
Significant deficiency(es) Identified?	_____ Yes	<u>    x    </u>	No
Material weaknesses?	_____ Yes	<u>    x    </u>	None reported
Noncompliance material to financial statements noted?	_____ Yes	<u>    x    </u>	No

Federal Awards

Internal control over major programs:			
Internal control over financial reporting:			
Control deficiency(es) identified?	_____ Yes	<u>    x    </u>	No
Significant deficiency(es) Identified?	_____ Yes	<u>    x    </u>	No
Material weaknesses?	_____ Yes	<u>    x    </u>	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	<u>    x    </u>	No
Identification of major programs:			

CFDA	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.781	U.S. Department of Agriculture, Rural Development
66.458	Environmental Protection Agency

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, 2010**

***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, 2010.



**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, 2010, and have issued our report thereon dated January 6, 2011. 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, 2010) 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.

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**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 scanner and printer as part of the project. It is now exploring a third software option.

**Current Year Addendum**

The District implemented the use of 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.

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 a barcode software program in an attempt to correct this situation for fiscal year 2011.

**CURRENT YEAR COMMENTS:**

No Financially Significant Comments Noted

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.

A handwritten signature in black ink that reads "Tuscán & Company, P.A." The signature is written in a cursive, flowing style.

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 6, 2011

**EXHIBIT**



# Immokalee Water & Sewer District

February 17, 2011

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, 2010 audit, performed by Tuscan & Company, P.A.; which was presented to the Board on February 16, 2011 and accepted by the Board on February 16, 2011.

## PRIOR YEAR COMMENTS:

### 1. Controls over Inventory Should be Monitored and Enhanced

The District has continued to fine tune the process in which electronically tracks inventory. The inventory tracking software database has been developed and is currently being customized to the District's needs in order to be used by all those involved. We are exploring all the different aspects of the software to take advantage of the benefits and to work around its limitations before going live.

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.

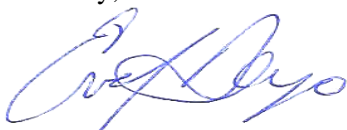
## CURRENT YEAR COMMENTS:

No Financially Significant Comments Noted

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