

**IMMOKALEE WATER & SEWER DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**TOGETHER WITH ADDITIONAL REPORTS**  
**YEARS ENDED**  
**SEPTEMBER 30, 2019 AND 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the business-type activities of Immokalee Water & Sewer District (an independent special district) (the "District") as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Immokalee Water & Sewer District as of September 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I - X be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information - management's discussion and analysis (MD&A) in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information - management's discussion and analysis (MD&A) because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Required Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Immokalee Water & Sewer District's basic financial statements. The required supplementary information other than MD&A - budgetary comparison information - Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Budgetary Basis) and Actual with Reconciliation to GAAP Basis - year ended September 30, 2019 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information other than MD&A - budgetary comparison information - Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Budgetary

Basis) and Actual with Reconciliation to GAAP Basis - year ended September 30, 2019 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary information other than MD&A budgetary comparison information - Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Budgetary Basis) and Actual with Reconciliation to GAAP Basis - year ended September 30, 2019 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Immokalee Water & Sewer District that collectively comprise the Immokalee Water & Sewer District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2019 as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2019 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

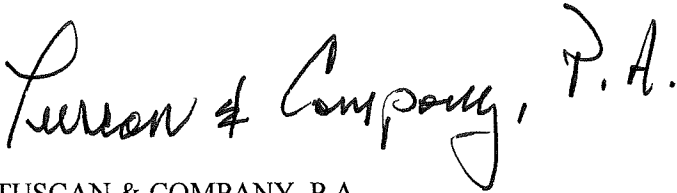
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Exhibit - Management's Response to The Independent Auditor's Report to Management is not a required part of the basic financial statements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

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

In accordance with Section 218.415, Florida Statutes, we have also issued a report dated March 30, 2020, on our consideration of Immokalee Water & Sewer District's compliance with provisions of Section 218.415, Florida Statutes. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and to provide an opinion on compliance with the aforementioned Statute. That report is an integral part of an audit performed in accordance with Sections 218.39 and 218.415, Florida Statutes in considering Immokalee Water & Sewer District's compliance with Section 218.415, Florida Statutes.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

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

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
March 30, 2020

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

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2019

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, 2019.

#### **Basic Financial Statements**

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

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

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

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

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



# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2019

#### Condensed Financial Statement

Condensed financial information from the statements of net position and revenues, expenses and changes in net position for the years ended September 30, 2018 and 2019 are as follows:

	September 30,	
	2018	2019
Current and other assets	\$ 15,856,328	\$ 17,786,466
Capital assets, net	57,740,004	57,690,948
Total assets	<u>\$ 73,596,332</u>	<u>\$ 75,477,414</u>
Current liabilities	\$ 3,975,237	\$ 3,788,708
Long-term liabilities	32,608,356	31,846,733
Total liabilities	<u>36,583,593</u>	<u>35,635,441</u>
Net position:		
Net Investment in capital assets	24,356,438	25,012,497
Restricted	1,357,500	1,685,849
Unrestricted	11,298,801	13,143,627
Total net position	<u>37,012,739</u>	<u>39,841,973</u>
Total liabilities and net position	<u>\$ 73,596,332</u>	<u>\$ 75,477,414</u>
Operating revenue:		
Water service	\$ 3,312,732	\$ 3,835,620
Wastewater service	5,072,932	5,390,755
Meter service charges	690,603	748,565
Late fees	84,005	74,960
Reconnection /transfer fee	123,259	107,280
Miscellaneous revenue	97,114	110,627
Cross connection control fees	345,443	354,170
Total operating revenues	<u>9,726,088</u>	<u>10,621,977</u>
Operating expenses:		
Water treatment and distribution expense	1,868,538	1,900,862
Wastewater treatment expense	1,833,299	1,858,641
Wastewater collection expense	672,377	718,038
Customer service and administrative expense	1,381,868	1,648,632
Maintenance	435,898	451,254
Total operating expenses, excluding depreciation	6,191,980	6,577,427
Depreciation	1,863,699	1,875,143
Total operating expenses, including depreciation	<u>8,055,679</u>	<u>8,452,570</u>
Operating profit (loss)	<u>1,670,409</u>	<u>2,169,407</u>
Net nonoperating revenue/(expense)	<u>(847,307)</u>	<u>(830,289)</u>
Profit (loss) before capital grants	823,102	1,339,118
Capital grants and contributions	3,187,705	1,490,116
Increase (Decrease) in net position	<u>4,010,807</u>	<u>2,829,234</u>
Beginning of year net position	<u>33,001,932</u>	<u>37,012,739</u>
End of year net position	<u>\$ 37,012,739</u>	<u>\$ 39,841,973</u>

(Continued)

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2019

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, 2019.

#### **Financial Highlights**

- The District completed a rate study and adopted Resolution 17-01. Rate increases went into effect on November 1, 2016, October 1, 2017 and October 1, 2018.
- The District ended the year September 30, 2019, with a net position of \$39,841,973 of which \$25,012,497 represented the net investment in capital assets and \$13,143,627 was unrestricted. The ending net position was \$2,829,234 more than the net position at the beginning of the year. This was primarily the result of the implementation of the previous rate increases.
- The District ended the year September 30, 2018, with a net position of \$37,012,739 of which \$24,356,438 represented the net investment in capital assets and \$11,298,801 was unrestricted. The ending net position was \$4,010,807 more than the net position at the beginning of the year. This was primarily the result of the implementation of the previous rate increases.
- The District had profit before capital contributions, for the years ended September 30, 2018 and 2019 of \$ 823,102 and \$1,339,118, respectively.
- The District has minimized interest expense, because of utilizing low interest bonds/loans for capital projects funded through USDA Rural Development. These interest rates range from 2.25% to 5.125%. The projects are a combination of loans and grants with the highest grant ratio to date being at 57% of the total project. The Series 2018 Bond had the lowest interest rate ever received by the District at 2.25%.
- In 2009 the District also qualified for an EPA loan and grant through the FDEP State Revolving Loan Program. The District received \$2,324,845 as “loan forgiveness” or grant funds, and \$738,425 in the form of loans.
- The District ended the year September 30, 2019 with cash and cash equivalents and investments of approximately \$15,948,815. However, only \$11,852,148 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 2019, cash and cash equivalents increased by \$2,312,620 compared to an increase of \$2,035,541 for the year ended September 30, 2018. This change resulted primarily from the receipt of grant funds to fund the cost of a capital project. The servicing of the District's debt resulted in the spending of nearly \$1,964,872.

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2019

#### **Revenue**

As in previous years, the wastewater service revenues make up more than half of the revenues, accounting for 51% in 2019 and 53% in 2018. Water revenue accounted for 36% in 2019 and 34% in 2018. Meter service charges, late fee charges, reconnection fees, and miscellaneous revenues also remained constant between the two years. Cross connection control fees decreased to 3 % in 2018 from 3% in 2019.

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

#### **Expenses**

Due to the significant investments the District has in capital assets, depreciation continues to be one the largest operating expenses at 26-23% of total operating expenses per year. Unlike the other expenses listed, depreciation is not a cash expense.

One of the largest departments, by expenses, at 23% and 22% of total expenses is for wastewater treatment, which remained constant between 2018 and 2019, respectively. This department is one of the largest, with eight full time employees and one part-time employee. One of the largest expenses, excluding salaries and benefits, in this department is electric, which accounted for over \$218,000 in expenses in 2019.

The second highest department by expenses is the water treatment and distribution department with twelve full time employees. The related expenses of 22% were a decrease of 1% between 2018 and 2019. 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. 100% of the meters are now automated.

The third largest department is the administration department, which consists of nine full time employees and one part-time employee. The related expenses remained constant at 17% and 19% of total expenses in 2018 and 2019, respectively. The largest expense in this department, other than salaries and benefits is engineering fees.

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2019

The next largest department by expenses is the wastewater collection department, which consists of five full time employees. The related expenses remained constant at 8% in 2018 compared to 2019.

The smallest department is the maintenance department, which was created in fiscal year 2004 to reduce maintenance-related expenses from third-party vendors. It consists of six full time employees. It decreased by one percent to 5% of total expenses in 2019, from 6% in 2018. 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.

Wages and benefits decreased by one percent to 39% of the expenses in 2019, making it the highest expense category. Depreciation expense decreased by one percent to 20%, and operating expenses remained constant at 41%.

The District continues to monitor costs. We did give a cost of living increase and merit increases, of up to 7%, based on evaluations. We also allowed promotions for those employees that met the specified criteria and training. The District bids out contracts for major expenses, such as health insurance, property insurance, residuals management and chemicals. The District has an arrangement with Collier County Fleet Management allowing the District to access their fuel tanks, located in Immokalee, to take advantage of bulk-usage savings. The District utilizes SUNCOM, through the Florida Department of Management Services for long distance services.

### **General Fund Budgetary Highlights**

Over the course of the year, the Board of Commissioners amended the District budget two times. These budget amendments were done primarily to a) increase operating revenue, increase depreciation and adjust designated funds and to b) increase operating expenses and capital funding primarily related to the District's projects, and adjust designated funds.

### Original to Final Budget Variance

Total operating revenues were increased by \$500,000 more than originally budgeted, and total operating expenses, excluding depreciation expense, were decreased by over \$700,000.

Capital outlay – capital outlay was increased by \$600,000 to complete the waterline project.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2019

Final Budget to Actual Variance

Total operating revenue was approximately \$5,000 more than budgeted.

Over the five departments, approximately \$115,000 in budgeted operating expenses were not expended.

**Capital Assets**

The District's net capital assets as of September 30, 2018 and 2019 amounted to \$57,740,004 and \$57,690,948 (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:

	2018	2019
Construction in progress	\$16,861,985	\$ 1,189,315
Buildings and improvements	212,095	47,313
Water and wastewater plants and systems	519,228	214,364
Machinery and equipment	154,978	375,095
	<u>\$ 17,748,286</u>	<u>\$ 1,826,087</u>

Construction in progress for 2019 was primarily for the AC Water Main and Undersized Replacement Project funded through USDA.

The District primarily acquires its assets with the proceeds from federal capital grants and revenue bonds, supplemented by user fees. USDA Rural Development is the primary source of proceeds, because they offer low interest loans for capital improvements. We also received contributed capital in the form of new water and sewer infrastructure from developers. New equipment purchases and a system expansion are part of the District's capital improvement program. Capital purchases are acquired using bids, or Florida State Contract prices. For our ongoing meter replacement program, we utilize the bid prices for Neptune® meters from the City of Cape Coral. In Fiscal Years 2018 and 2019, we used our own personnel to continue the meter replacement program.

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2019

#### **Debt**

As of September 30, 2019, the District had \$31,981,969 of revenue bonds outstanding. The total amount outstanding for these categories of debt decreased, to reflect the principal payments by the District of \$868,000.

#### **Unrestricted Net Assets**

As of September 30, 2019, the District had designated \$8,625,177 in unrestricted net assets, as recommended by their auditor. The District designated \$761,000 for emergencies, \$3,308,656 for operations, \$527,483 for vehicle replacement, \$546,416 for capital equipment, and \$3,481,622 for maintenance reserve.

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

Rate Increase: In fiscal year 2015, the District hired a rate consultant, PRMG, to determine what rate increase was needed. The Board adopted rate increases of 8.5% on water and 2.5% for wastewater to go into effect on November 1, 2016, October 1, 2017 and October 1, 2018.

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

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

**Habitat for Humanity** continues to build homes in Immokalee. In December 2006, they completed the infrastructure in the Independence Subdivision Phases II, with 167 homes. Liberty PUD, with 162 single family homes has also been connected, to our system. They have completed the work for the Faith PUD, which included an additional 175 homes; and the Kaicasa PUD, which will consist of 400 homes. Habitat did say that they were renewing their irrigation permit on the Kaicasa PUD. This is the last place that they own in Immokalee to build homes.

#### Other Residential:

The nearby Ave Maria University campus is expected to eventually impact Immokalee with increased demand for low cost residential homes for workers. Discussions were held in previous years with Lennar Homes regarding the possibility of 5,000 to 6,000 homes in the Serenoa subdivision, however, that did not materialize following the nationwide slump in housing prices. Barron Collier has since acquired that property, and they have not yet

# IMMOKALEE WATER & SEWER DISTRICT

## Required Supplementary Information

### Management's Discussion and Analysis

September 30, 2019

indicated what they plan to use the property for. Collier Enterprises has withdrawn their plans to build 400 homes near the Florida Tradeport.

#### Commercial

The EDC continues to market the Florida Tradeport, but has been unable to secure a key industry for that location. Plans were previously approved for the CCAA USDA Manufacturing Building at the airport, and that building is complete. Plans were also approved for First Stop Grocery on South 1<sup>st</sup> Street. That building replaces a building that was condemned years ago. Collier County Public Schools completed construction on the new Bethune Education Center. Collier County Parks completed the upgrade of their South Park Community Center. We were approached by Barron Collier regarding a “big-box” application for the intersection of Westclox and HWY 29. We completed the sewer line for the “Big Box” as well as for the new Suncoast Schools Federal Credit Union stand alone banking center, and the units in between. To date there has been no other information regarding the “Big Box”. Family Dollar has completed a new building on New Market Road. The Seminole Tribe – Casino approached the District to begin the process of taking over their existing utility service to the Casino as well as their new Hotel. They connected to our system in December 2014. A new Family Dollar and Taco Bell were completed in 2015 on North 15<sup>th</sup> Street. The Boys and Girls Club completed a new center in Immokalee on Roberts Avenue late in 2016. Saint Matthews House replaced their Thrift Store on Main Street. First 1 Bank is building a new facility on North 15<sup>th</sup> Street, also.

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

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

We began construction on the A/C and Undersized Water Lines Replacement Project during the 2017 Fiscal Year. This project is over \$20,000,000 and is primarily funded by USDA. We will be replacing the majority of the water lines in Immokalee. This project was broken down into four phases, so that smaller contractors would be able to bid on the project. It is expected to be completed by the end of the 2018 Fiscal Year.

#### **Request For Information**

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

**IMMOKALEE WATER & SEWER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 10,741,662	\$ 9,089,168
Investments - CDs	1,110,486	1,100,573
Accounts receivable, net	710,825	621,058
Other receivables	18,283	13,264
Inventory	336,700	396,577
Prepaid expenses	<u>53,081</u>	<u>46,626</u>
TOTAL CURRENT ASSETS	<u>12,971,037</u>	<u>11,267,266</u>
<b>RESTRICTED ASSETS</b>		
Cash	4,096,667	3,436,541
Grant and assessment receivables	<u>718,762</u>	<u>1,152,521</u>
TOTAL RESTRICTED ASSETS	<u>4,815,429</u>	<u>4,589,062</u>
<b>CAPITAL ASSETS</b>		
Capital assets not being depreciated:		
Land	2,645,941	2,645,941
Construction in progress	21,923,826	21,029,594
Capital assets being depreciated:		
Buildings and improvements	1,805,024	1,757,711
Water and wastewater plants and systems	63,726,935	63,217,488
Machinery and equipment	3,513,313	3,483,382
Less:		
Accumulated depreciation	<u>(35,924,091)</u>	<u>(34,394,112)</u>
	<u>57,690,948</u>	<u>57,740,004</u>
TOTAL ASSETS	<u>\$ 75,477,414</u>	<u>\$ 73,596,332</u>

The accompanying notes are an integral part of this statement.



	<u>2019</u>	<u>2018</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts and contracts payable	\$ 486,197	\$ 628,819
Other accrued expenses	129,070	114,856
Capital lease payable, current portion	<u>43,861</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>659,128</u>	<u>743,675</u>
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Revenue bonds payable, current portion	901,000	868,000
Loans payable - SRF, current portion	35,931	35,020
Accrued revenue bond interest	81,322	81,322
Retainage payable	747,945	972,372
Customer deposits	<u>1,363,382</u>	<u>1,274,848</u>
TOTAL CURRENT LIABILITIES (Payable from Restricted Assets)	<u>3,129,580</u>	<u>3,231,562</u>
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds payable, net of current portion	31,080,969	31,981,969
Loans payable - SRF, net of current portion	463,175	498,577
Capital lease payable, net of current portion	153,515	-
Bond anticipation note	-	-
Accrued compensated absences	<u>149,074</u>	<u>127,810</u>
TOTAL LONG-TERM LIABILITIES	<u>31,846,733</u>	<u>32,608,356</u>
TOTAL LIABILITIES	<u>35,635,441</u>	<u>36,583,593</u>
<b>NET POSITION</b>		
Net investment in capital assets	25,012,497	24,356,438
Restricted	1,685,849	1,357,500
Unrestricted	<u>13,143,627</u>	<u>11,298,801</u>
TOTAL NET POSITION	<u>39,841,973</u>	<u>37,012,739</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 75,477,414</u></u>	<u><u>\$ 73,596,332</u></u>

**IMMOKALEE WATER & SEWER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Years ended September 30, 2019 and 2018**

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	2019	2018
<b>OPERATING REVENUES</b>		
Water service	\$ 3,835,620	\$ 3,312,732
Wastewater service	5,390,755	5,072,932
Meter service charge	748,565	690,603
Late fees	74,960	84,005
Reconnect and transfer fees	107,280	123,259
Miscellaneous charges, fees and other income	110,627	97,114
Cross connection control fee	354,170	345,443
<b>TOTAL OPERATING REVENUES</b>	<b>10,621,977</b>	<b>9,726,088</b>
<b>OPERATING EXPENSES</b>		
Water treatment and distribution	1,900,862	1,868,538
Wastewater treatment	1,858,641	1,833,299
Wastewater collection	718,038	672,377
Customer service and administrative	1,648,632	1,381,868
Maintenance	451,254	435,898
<b>TOTAL OPERATING EXPENSES</b>		
<b>PRIOR TO DEPRECIATION</b>	<b>6,577,427</b>	<b>6,191,980</b>
Depreciation	1,875,143	1,863,699
<b>TOTAL OPERATING EXPENSES</b>	<b>8,452,570</b>	<b>8,055,679</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>2,169,407</b>	<b>1,670,409</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	149,616	69,620
Gain (loss) on disposal of fixed assets	39,191	-
Interest expense	(1,040,450)	(944,963)
Bad debt expense adjustment	(12,361)	(7,234)
Other income including FEMA hurricane reimbursement	208,430	35,270
<b>NET NON-OPERATING EXPENSES</b>	<b>(655,574)</b>	<b>(847,307)</b>
<b>PROFIT (LOSS) BEFORE CAPITAL</b>		
<b>CONTRIBUTIONS</b>	<b>1,513,833</b>	<b>823,102</b>
<b>CAPITAL CONTRIBUTIONS</b>		
USDA - grants	1,243,688	3,124,532
Customers	71,713	63,173
Developers	-	-
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>1,315,401</b>	<b>3,187,705</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>2,829,234</b>	<b>4,010,807</b>
<b>NET POSITION - Beginning of the year</b>	<b>37,012,739</b>	<b>33,001,932</b>
<b>NET POSITION - End of the year</b>	<b>\$ 39,841,973</b>	<b>\$ 37,012,739</b>

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years ended September 30, 2019 and 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 10,603,364	\$ 9,920,641
Cash payments to suppliers and employees	<u>(6,631,149)</u>	<u>(8,108,533)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,972,215</u>	<u>1,812,108</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING:</b>		
Other income received	<u>33,715</u>	<u>35,270</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING	<u>33,715</u>	<u>35,270</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(2,050,514)	(16,924,407)
Proceeds from sale of capital assets (gain)	39,191	-
Principal paid on revenue bonds	(868,000)	(563,000)
FEMA - Hurricane reimbursement	174,715	-
Principal paid on loans - SRF	(34,491)	(34,132)
Interest paid on bonds and other obligations	(1,040,450)	(916,597)
Proceeds from bond issuance	-	17,134,000
Proceeds from bond anticipation note (BAN)	-	15,685,000
Principal paid on BAN	-	(17,134,000)
Proceeds capital lease	219,307	-
Principal paid on capital lease	(21,931)	-
Capital contributions - USDA	1,605,934	2,762,286
Membership/customer/developer connection fees/assessment	<u>143,226</u>	<u>121,603</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,833,013)</u>	<u>130,753</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Interest earned on investments	139,703	57,410
Purchase of certificate of deposit	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>139,703</u>	<u>57,410</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,312,620	2,035,541
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>12,525,709</u>	<u>10,490,168</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 14,838,329</u>	<u>\$ 12,525,709</u>

The accompanying notes are an integral part of this statement.

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
<b>OPERATING PROFIT (LOSS)</b>	<u>\$ 2,169,407</u>	<u>\$ 1,670,409</u>
Adjustments to reconcile operating profit to net cash provided by operating activities:		
Depreciation (non cash)	1,875,143	1,863,699
Increase (decrease) in accrued compensated absences (non cash)	21,264	9,440
(Increase) decrease in accts. receivable, net of bad debt expense	(102,128)	134,073
(Increase) decrease in other receivables	(5,019)	(8,385)
(Increase) decrease in inventory	59,877	67,270
(Increase) decrease in prepaid expenses	(6,455)	7,087
Increase (decrease) in accounts and contracts payable	(142,622)	(2,012,890)
Increase (decrease) in other accrued expenses	14,214	12,540
Increase (decrease) in customer deposits	<u>88,534</u>	<u>68,865</u>
<b>TOTAL ADJUSTMENTS</b>	<u>1,802,808</u>	<u>141,699</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 3,972,215</u></u>	<u><u>\$ 1,812,108</u></u>

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2019 and 2018**

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

**Organization**

Immokalee Water & Sewer District (the "District") was created by Laws of Florida, (Section) Chapter 78-494 on July 5, 1978, under the provisions of Florida Statute, Chapter 153.53 and 189.031 for the purpose of providing water and sewer services to Immokalee, an unincorporated area of eastern Collier County, Florida. The District's enabling legislation was repealed, updated, reenacted, and codified by Laws of Florida, Chapter 98-495 on May 28, 1998. On July 1, 2005, Laws of Florida, Chapter 2005-298 amended Laws of Florida, Chapter 98-495 by expanding the District's boundaries. On June 10, 2015, Laws of Florida, Chapter 2015-205 amended Laws of Florida, Chapter 98-495 to provide for salaries/honorariums for elected District Board members up to \$250 each per month.

The District owns, operates, maintains and regulates its water and sewer plants and systems as an independent special district of the State of Florida. The District is governed by a seven (7) member Board of Commissioners appointed by the Governor of the State of Florida. The Board of Commissioners (the "Board") administer the District, independent from any other local governing body and serve staggered four (4) year terms.

**Reporting Entity**

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

The District adheres to Statement of Governmental Accounting Standards Board (GASB) Statement No. 14, "Financial Reporting Entity", as amended by GASB Statement Number 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34". These Statements require the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate agency for which the

**IMMOKALEE WATER & SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2019 and 2018**

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

**Reporting Entity, continued**

primary government is financially accountable or organizations whose exclusion would cause the financial statements to be misleading because of the nature and significance of their relationship with the primary government. Financial accountability is determined by the primary government's ability to appoint the voting majority of the District's board, impose its will on the organization, the existence of a financial benefit/burden relationship or fiscal dependency. Based on this criteria, there are no component units included or required to be included in the District's financial statements.

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

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

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

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

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

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

**Government-Wide Financial Statements**

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

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

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

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

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

**Government-Wide Financial Statements, continued**

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

**Budgetary Information**

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

**Fund Accounting**

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

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

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

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



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

**Measurement Focus**

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

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

**Basis of Accounting**

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

**Budgetary Process**

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

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

The District follows these procedures in establishing budgetary data.

1. During the summer of each year, management submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.

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

**Budgetary Process, continued**

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

The Board of Commissioners did amend the budget during the fiscal year ended September 30, 2019 to increase total budgeted net revenue by \$1,817,500 and an increase in budgeted expenses (including net non-operating revenue and expense) by \$1,817,500.

**Cash**

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

**Accounts Receivable/Allowance for Doubtful Accounts**

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

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

**Inventory**

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

**Capital Assets and Depreciation**

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

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

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

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

**Restricted Assets**

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

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

**Vacation Leave and Other Compensated Absences**

Accumulated unpaid vacation pay is accrued when incurred in the proprietary fund. The method of accrual is in accordance with Statement of Governmental Accounting Standards Board Number 16, "Accounting for Compensated Absences" (GASB 16). This Standard provides for the measurement of accrued vacation leave and other compensated absences using the pay or salary rates in effect at the balance sheet date. It also requires additional amounts to be accrued for certain salary related payments associated with the payment of compensated absences such as FICA and retirement benefits only. Vacation is accrued and paid at termination.

**Encumbrances**

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

**Membership (Connection) Fees**

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

**Income Taxes**

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

**Fund Equity**

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

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

**Use of Estimates**

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

**Reclassifications**

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

**Subsequent Events**

Subsequent events have been evaluated through March 30, 2020, which is the date the basic financial statements were available to be issued.

**Application of FASB Pronouncements to Proprietary Funds**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the District has elected not to apply those FASB Statements and Interpretations issued after November 30, 1989. Only GASB pronouncements issued after this date will be adopted by the District.

**Accounting Pronouncement GASB Statement No. 42**

The District adheres to Government Accounting Standards Board Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" (GASB Statement No. 42). GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets.

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

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

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

The District incurred no capital asset impairment activity for the years ended September 30, 2019 and 2018.

**NOTE B - CASH AND INVESTMENTS**

At September 30, 2019 and 2018, cash and cash equivalents (including both restricted and unrestricted cash and cash equivalents) were \$14,838,329 and \$12,525,709 respectively, including unrestricted cash on hand of \$3,400 and \$3,400, respectively.

**Deposits**

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

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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

**Deposits, continued**

	Insured/ Collateralized	Bank Balance	Carrying Amount
<u>September 30, 2019</u>			
Unrestricted			
Depository accounts	\$ 696,192	\$ 696,192	\$ 708,259
Money market	10,030,003	10,030,003	10,030,003
	<u>10,726,195</u>	<u>10,726,195</u>	<u>10,738,262</u>
Restricted			
Depository accounts	1,355,957	1,355,957	1,355,957
Money market	2,755,710	2,755,710	2,740,710
	<u>4,111,667</u>	<u>4,111,667</u>	<u>4,096,667</u>
	<u>\$ 14,837,862</u>	<u>\$ 14,837,862</u>	<u>\$ 14,834,929</u>
<u>September 30, 2018</u>			
Unrestricted			
Depository accounts	\$ 408,939	\$ 408,939	\$ 350,386
Money market	8,735,382	8,735,382	8,735,382
	<u>9,144,321</u>	<u>9,144,321</u>	<u>9,085,768</u>
Restricted			
Depository accounts	1,272,376	1,272,376	1,272,376
Money market	2,164,165	2,164,165	2,164,165
	<u>3,436,541</u>	<u>3,436,541</u>	<u>3,436,541</u>
	<u>\$ 12,580,862</u>	<u>\$ 12,580,862</u>	<u>\$ 12,522,309</u>

**Unrestricted and Restricted Deposits**

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

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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

**Restricted Deposits**

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

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

	2019	2018
Construction account	\$ 51,234	\$ 50,178
Bond sinking fund reserve	2,075,595	1,578,889
Department of Environmental Protection- Deep Well Injection Reserve	237,687	235,087
Customer deposits	1,353,457	1,269,876
Loan debt service	25,184	24,969
Special assessment collections	353,510	277,542
	<u>\$ 4,096,667</u>	<u>\$ 3,436,541</u>

**Investments**

Florida Statutes and the District's investment policy authorize investments in certificates of deposit (CD's). Certificates of deposit whose values exceed the amount of the Federal Depository Insurance are collateralized pursuant to the Public Depository Security Act of the State of Florida. The District had \$1,110,486 and \$1,100,573 (bank and book balance) invested in certificates of deposit at September 30, 2019 and 2018, respectively. The CDs carried interest rates of 2.20% and 1.51% at September 30, 2019. The CDs mature on December 4, 2022 and July 17, 2021, respectively.

**NOTE C - ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net, consist of the following at September 30:

	2019	2018
Customer receivables (water/sewer)	\$ 780,568	\$ 678,440
Less allowance for doubtful accounts	(69,743)	(57,382)
Net receivables	<u>\$ 710,825</u>	<u>\$ 621,058</u>



**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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**NOTE D - GRANT AND ASSESSMENT RECEIVABLES**

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

	2019	2018
Grants receivable	\$ -	\$ 362,246
Special Assessment	<u>718,762</u>	<u>790,275</u>
	<u>\$ 718,762</u>	<u>\$ 1,152,521</u>

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

	2019	2018
Balance, October 1	\$ 790,275	\$ 848,705
Assessment levied	-	-
Collections	<u>(71,513)</u>	<u>(58,430)</u>
	<u>\$ 718,762</u>	<u>\$ 790,275</u>

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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**NOTE E - CAPITAL ASSET ACTIVITY**

The following is a summary of changes in capital asset activity for the year ended September 30, 2019:

	Balance October 1 2018	Additions	Retirements	Adjustments/ Reclassifications	Balance September 30 2019
Capital Assets Not Being Depreciated:					
Land	\$ 2,645,941	\$ -	\$ -	\$ -	\$ 2,645,941
Construction in Progress	21,029,594	1,189,315	-	(295,083)	21,923,826
Total Capital Assets Not Being Depreciated	23,675,535	1,189,315	-	(295,083)	24,569,767
Capital Assets Being Depreciated:					
Buildings & Improvements	1,757,711	47,313	-	-	1,805,024
Water and Wastewater					
Plant and Systems	63,217,488	214,364	-	295,083	63,726,935
Machinery & Equipment	3,483,382	375,095	(345,164)	-	3,513,313
Total Capital Assets Being Depreciated	68,458,581	636,772	(345,164)	295,083	69,045,272
Less Accumulated Depreciation:					
Buildings & Improvements	(846,718)	(48,227)	-	-	(894,945)
Plant and Systems	(30,348,164)	(1,593,143)	-	-	(31,941,307)
Machinery & Equipment	(3,199,230)	(233,773)	345,164	-	(3,087,839)
Total Accumulated Depreciation	(34,394,112)	(1,875,143)	345,164	-	(35,924,091)
Capital Assets, Net	\$ 57,740,004	\$ (49,056)	\$ -	\$ -	57,690,948
				Related debt	(32,678,451)
Net Investment in Capital Assets					\$ 25,012,497

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

The depreciation expense for the years ended September 30, 2019 and 2018 was \$1,875,143 and \$1,863,699, respectively. During the years ended September 30, 2019 and 2018, the District continued construction on its system-wide improvements. The District capitalized interest on the project in the amount of \$0 and \$0 for the years ended September 30, 2019 and 2018.

During the year ended September 30, 2018, the District early implemented GASB Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period". The implementation of the pronouncement requires the interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. As a result, no interest costs were capitalized on the project for fiscal year ended September 30, 2019 and 2018.

**NOTE F - RETIREMENT PLANS**

**Plan Description and Provisions**

**Section 401(a) Plan**

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

The Plan allows all employees to participate after three (3) months creditable employment. Employees who elect to participate must contribute three (3%) percent of their gross wages, excluding overtime compensation, up to \$3,000. If the employee desires to defer more than \$3,000 they can defer those amounts into the IRC Section 457 Plan. The employer is required to contribute six (6%) percent of the respective participating employees' gross wages, excluding overtime compensation. Employer contributions are only required for those participating employees who contribute three (3%) of their gross wages, as defined. During the years ended September 30, 2019, 2018, and 2017, the District contributed 100% of its required contributions.

**NOTE F - RETIREMENT PLANS, CONTINUED**

**Plan Description and Provisions, continued**

The District's gross contributions (employer portion) to the plan for the years ended September 30, 2019, 2018 and 2017 were \$142,584, \$132,710, and \$129,415, respectively. Employee contributions to the plan were 73,939, \$61,450 and \$65,670, respectively for the years ended September 30, 2019, 2018, and 2017, respectively. There were no forfeitures used to reduce employer contributions.

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 1,000 hours of service. Employees immediately vest in their contributions. Normal retirement shall be considered to be attainment of age 55 and completion of five (5) creditable years of service. Employees who fail to complete five (5) years creditable service vest in their respective accounts at twenty (20%) percent per completed year of creditable service. The Plan requires retirement at April 1 following the date the participant reaches age 70 1/2. The Plan provides that forfeitures of employer contributions by non-vested terminated employees are to be used to offset future employer contributions. Therefore, employer contributions made to employee accounts who fail to complete the respective year revert back to the employer. The District has no liability for losses, if any, incurred by the plan. Loans to participants are permitted from the participant's specific account. Participants should refer to the complete plan document for specific detail of the Plan.

**Section 457 Plan**

Effective November 1, 2012, the District approved a resolution to establish a Deferred Compensation Plan to be made available to all eligible District employees pursuant to Section 457 of the Internal Revenue Code (IRC). The Plan is administered by a third party administrator. The employer funds substantially all administrative costs of the plan. All contributions made to the Plan are voluntary deductions from employees' wages, with no contributions to the Plan made by the District. Employees are eligible to participate after 3 months employment and attainment of age 18. Deferral amounts are limited per IRS Code Section 457(e)(15). For the year ended September 30, 2019 the limit was \$19,000. Employees are immediately vested in their salary deferral amounts.

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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**NOTE G - REVENUE BONDS PAYABLE**

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

	<u>Amount</u>
Balances - September 30, 2017	\$ 16,278,969
Principal retired	(563,000)
Bonds issued	<u>17,134,000</u>
Balances - September 30, 2018	32,849,969
Principal retired	(868,000)
Bonds issued	<u>-</u>
Balances - September 30, 2019	<u><u>\$ 31,981,969</u></u>

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

	<u>2019</u>	<u>2018</u>
\$5,300,000 Series A, Water and Sewer Revenue Bonds, issued July 1981, through USDA Rural Development. Principal is payable annually beginning September 1, 1983 through September 1, 2020; interest payable annually at the rate of 5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	\$ 120,000	\$ 240,000
\$722,715 Series B, Water and Sewer Revenue Bonds, issued July 1981, through USDA Rural Development. Principal is payable annually beginning September 1, 1983 through September 1, 2020; interest payable annually at the rate of 5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	43,000	78,000
\$635,000 Series 1985, Water and Sewer Revenue Bonds, issued May 1987, through USDA Rural Development. Principal is payable annually beginning September 1, 1989 through September 1, 2026; interest payable annually at the rate of 5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	191,969	217,969

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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

	<u>2019</u>	<u>2018</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.	1,970,000	2,088,000
\$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.	131,000	139,000
\$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.	2,791,000	2,902,000
\$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.	560,000	578,000

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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

	<u>2019</u>	<u>2018</u>
\$2,252,000 Series 2001, Water and Sewer Refunding Bonds, issued December 2001, through USDA Rural Development. Principal is payable annually beginning September 1, 2004 through September 1, 2041; interest payable annually at the rate of 4.5%; collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	1,720,000	1,765,000
\$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.	2,924,000	2,977,000
\$4,932,000 Series 2013, Water and Sewer Revenue Bonds, issued March 1, 2013, through USDA Rural Development. Principal and interest are payable annually beginning September 1, 2016 through September 1, 2052; interest payable annually at the rate of 2.5%; collateralized by the gross operating revenues of the system and a special assessment levied on the lands benefited by the system.	4,676,000	4,731,000
\$17,134,000 Series 2018 A & B, Water and Sewer Revenue Bonds, issued May 3, 2018, through USDA Rural Development. Interest only due September 1, 2018, then principal and interest are payable annually beginning September 1, 2019 through September 1, 2057; interest payable annually at the rate of 2.25%; collateralized by the gross operating revenues of the system and a special assessments levied on the lands benefited by the system.	<u>16,855,000</u>	<u>17,134,000</u>
	31,981,969	32,849,969
Less: current portion		
(due in one year)	<u>(901,000)</u>	<u>(868,000)</u>
Long-term portion	<u>\$ 31,080,969</u>	<u>\$ 31,981,969</u>

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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

**Bond Resolutions**

The bond resolutions established certain accounts and determined the order in which certain revenues are to be deposited into those accounts. In addition, there are various other covenants established by the official statements and District resolutions, including such items as debt service coverage, reporting requirements, and maintenance of facilities. Management believes that it has complied, in all material respects, with these covenants. All required balances at September 30, 2019 and 2018, were maintained and are reflected as restricted deposits within these financial statements.

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

<u>Years Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 901,000	\$ 992,500	\$ 1,893,500
2021	769,000	957,240	1,726,240
2022	798,000	928,853	1,726,853
2023	828,000	899,305	1,727,305
2024	859,000	868,496	1,727,496
2025 - 2029	4,671,969	3,842,558	8,514,527
2030 - 2034	5,908,000	2,923,397	8,831,397
2035 - 2039	4,098,000	2,020,745	6,118,745
2040 - 2044	3,915,000	1,429,335	5,344,335
2045 - 2049	3,880,000	891,456	4,771,456
2050 - 2054	2,717,000	384,458	3,101,458
2055 - 2057	2,637,000	143,100	2,780,100
	<u>\$ 31,981,969</u>	<u>\$ 16,281,443</u>	<u>\$ 48,263,412</u>

Revenue bond debt interest expense was \$1,026,345 and \$823,330 for the years ended September 30, 2019 and 2018, respectively. No revenue bond debt interest expense was capitalized in either year.



**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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**NOTE H - LOANS PAYABLE - SRF**

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

	DEP.SRF DW110120	DEP.SRF DW110121	Total
Balance-September 30, 2017	\$ 316,537	\$ 251,192	\$ 567,729
Proceeds	-	-	-
Principal retired	(18,869)	(15,263)	(34,132)
Balance-September 30, 2018	297,668	235,929	533,597
Principal retired	(18,855)	(15,636)	(34,491)
Balance-September 30, 2019	<u>\$ 278,813</u>	<u>\$ 220,293</u>	<u>\$ 499,106</u>

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

	2019	2018
\$419,681 loan payable representing 15% of a grant/loan payable to Florida Department of Environmental Protection. The maximum amount of the loan is \$2,735,112, in which the FDEP has forgiven \$2,324,845 of the note. The loan also required the District to capitalize interest of \$9,414 during the year ended September 30, 2011. Interest accrues at 2.71%. Principal and interest is payable in forty (40) semi-annual payments of \$13,660 in May and November beginning November 15, 2011. Final payment due May 2031. The loan is collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	\$ 278,813	\$ 297,668
\$335,504 loan payable to Florida Department of Environmental Protection. The loan requires forty (40) semi-annual payments of \$10,637 in November and May beginning November 15, 2011. The loan required the District to capitalize interest of \$7,346 during the year ended September 30, 2011. Final payment date May 2031. Interest accrues at 2.43%. The loan is collateralized by the gross operating revenues of the system and assessments levied on the lands benefited by the system.	220,293	235,929
Total loans payable	499,106	533,597
Less current portion:	(35,931)	(35,020)
	<u>\$ 463,175</u>	<u>\$ 498,577</u>

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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

Years Ending September 30	Principal	Interest	Total
2020	\$ 35,931	\$ 12,664	\$ 48,595
2021	36,866	11,729	48,595
2022	37,825	10,770	48,595
2023	38,810	9,785	48,595
2024	39,820	8,775	48,595
2025 - 2029	215,197	27,779	242,976
2030 - 2031	94,657	2,534	97,191
	<u>\$ 499,106</u>	<u>\$ 84,036</u>	<u>\$ 583,142</u>

Loans payable - SRF related interest expense was \$14,105 and \$14,463 for the years ended September 30, 2019 and 2018, respectively. No loan interest costs were capitalized in either year.

**NOTE I - CAPITAL LEASE**

On October 31, 2018, the District entered into a sixty (60) month, 0% interest capital lease agreement , for the lease of eight (8) vehicles, in the amount of \$219,307. Monthly payments are \$3,655 plus monthly maintenance fees. Payments began in April, 2019 with final payment due in March 2024. The lease agreement is collateralized by the respective eight (8) vehicles.

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

	Amount
Balances - September 30, 2017	\$ -
Proceeds	-
Principal payments	-
Balances - September 30, 2018	-
Proceeds	219,307
Principal payments	(21,931)
Balances - September 30, 2019	<u>\$ 197,376</u>

The cost of capital assets under lease was \$219,307 at September 30, 2019. The accumulated depreciation was \$40,206 and the current year depreciation expense was \$40,206 on those capital assets.

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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**NOTE I - CAPITAL LEASE, CONTINUED**

A summary of capital lease debt service requirements to maturity is as follows at September 30:

Years Ending September 30	Principal	Interest	Total
2020	\$ 43,861	\$ -	\$ 43,861
2021	43,861	-	43,861
2022	43,861	-	43,861
2023	43,861	-	43,861
2024	21,932	-	21,932
	<u>\$ 197,376</u>	<u>\$ -</u>	<u>\$ 197,376</u>

Interest expense related to the capital lease was \$0 and \$0 for the years ended September 30, 2019 and 2018, respectively.

**NOTE J - LINE OF CREDIT**

On October 15, 2018, the District renewed an agreement with a financial institution to establish an uncollateralized \$1 million revolving Line of Credit (LOC) to be used for emergency situations. The LOC is available, although the District had not borrowed any funds from the LOC for the years ended September 30, 2019 or 2018. The LOC required interest paid quarterly and principal at maturity. Interest accrues at Prime Rate plus .50% with a floor rate of 4.00%. The LOC is due in full on October 15, 2020. Interest rate at September 30, 2019 was 5.75%.

**NOTE K - BOND ANTICIPATION NOTE**

On July 26, 2017 the District entered into a Bond Anticipation Note (BAN) with a financial institution to provide interim construction financing for improvements to water facilities in the amount of \$17,134,000. Interest payable at 1.85% is due every six months. The BAN term is twenty four (24) months with accrued interest and principal due upon maturity on July 26, 2019. The note is collateralized by a commitment from the USDA Rural Development Program. At September 30, 2019 and 2018, the BAN payable balance was \$0 and \$0, respectively. Interest expense for the years ended September 30, 2019 and 2018 was \$0 and \$107,170 and no loan interest costs were capitalized. Upon completion of the related construction project, the BAN was replaced by permanent financing from USDA by the \$17,134,000 Series A & B, Water and Sewer Revenue Bonds issued on May 3, 2018.

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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**NOTE L - 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, 2017	\$ 118,370
Net Increase	<u>9,440</u>
Accrued compensated absences, September 30, 2018	127,810
Net Increase	<u>21,264</u>
Accrued compensated absences, September 30, 2019	<u><u>\$ 149,074</u></u>

**NOTE M - CONTINGENCIES**

**Litigation**

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

**Federal Grants**

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

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

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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**NOTE N - NET POSITION (NET ASSETS)**

Restricted net assets consist of the following at September 30:

	2019	2018
Restricted assets	\$ 4,815,429	\$ 4,589,062
Less: liabilities payable from restricted cash	<u>(3,129,580)</u>	<u>(3,231,562)</u>
	<u>\$ 1,685,849</u>	<u>\$ 1,357,500</u>

Unrestricted net assets consist of the following at September 30:

	2019	2018
Designated for emergencies	\$ 761,000	\$ 721,000
Designated for operations	3,308,656	3,282,417
Designated for vehicle replacement	527,483	527,483
Designated for capital equipment	546,416	538,483
Designated for maint. reserve - wastewater	3,069,382	2,829,327
Designated for maint. reserve - water	<u>412,240</u>	<u>206,120</u>
Total Designated	8,625,177	8,104,830
Undesignated	<u>4,518,450</u>	<u>3,193,971</u>
Total unrestricted net assets	<u>\$ 13,143,627</u>	<u>\$ 11,298,801</u>

**NOTE O - RISK MANAGEMENT**

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

Insurance programs for general/professional liability, automobile, and property are through commercial insurance. The District retains the risk of loss, on insured claims, up to a deductible amount (ranging from 0% to 5% of total insured value depending on the type of loss) with the risk of loss in excess of this amount transferred to the insurance carrier. Limits of general liability are \$1,000,000 per occurrence. The District is third party insured for employee health as well as workers' compensation.

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**

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**NOTE P - COMMITMENT**

The District has received approval from USDA for funding in the fiscal year ending September 30, 2017, of approximately \$21,000,000 to replace water lines within the District. The Letter of Obligation is for a \$17,134,000 loan over 40 years at 2.25%; \$5,611,100 grant; and the remaining funding will be provided by the District. Construction began in fiscal year 2017, and it will last for approximately twenty four months.

The following is a summary of the construction projects contracted by the District and not yet completed at September 30, 2019:

	Contract Price	Amounts Paid Through September 30
IWSD AC Main Undersized WM Replacement:		
Phase 1	\$ 6,617,073	\$ 6,422,426
Phase 2	4,966,881	4,966,303
Phase 3	3,291,960	3,291,351
Phase 4	5,345,733	5,345,733
	<u>\$ 20,221,647</u>	<u>\$ 20,025,813</u>

**NOTE Q - SUBSEQUENT EVENT**

On July 23, 2019, the USDA obligated funds to the District for a Clarifier Rehabilitation Project to be funded with a \$944,000 loan and a \$765,000 grant. The project is expected to begin in June 2020 and is estimated to be completed in June 2021.

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

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN**  
**NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS**  
**Year ended September 30, 2019**

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	Original Budget	Final Budget	Actual	Variance
<b>OPERATING REVENUES</b>				
Water service	\$ 3,557,954	\$ 3,835,620	\$ 3,835,620	\$ -
Wastewater service	5,235,708	5,390,755	5,390,755	-
Meter service charge	717,114	748,565	748,565	-
Late fees	90,809	74,960	74,960	-
Reconnect and transfer fees	117,943	107,280	107,280	-
Miscellaneous charges, fees and other income	75,189	105,084	110,627	5,543
Cross connection control fee	321,786	354,171	354,170	(1)
<b>TOTAL OPERATING REVENUES</b>	<b>10,116,503</b>	<b>10,616,435</b>	<b>10,621,977</b>	<b>5,542</b>
<b>OPERATING EXPENSES</b>				
<b>WATER PLANTS / DISTRIBUTION</b>				
Salaries and wages	709,143	651,457	658,096	(6,639)
Overtime	85,333	32,446	32,446	-
FICA	60,777	54,316	54,316	-
Unemployment taxes	320	810	810	-
Employer pension contribution	42,549	36,445	36,445	-
Health/life insurance	292,186	220,264	220,264	-
Workers' compensation	34,584	36,878	36,878	-
Travel and training	26,000	23,462	24,112	(650)
Telephone and fax	7,648	7,067	7,901	(834)
Electric	173,925	162,458	167,449	(4,991)
General liability insurance	20,909	19,317	19,317	-
Comprehensive auto insurance	9,395	9,524	9,524	-
Other insurance	84,351	75,410	75,410	-
Repairs and maintenance	178,042	90,047	91,013	(966)
Other contract services	36,955	52,007	52,007	-
Vehicle fuel	29,505	27,093	27,093	-
Vehicle maintenance	16,157	18,914	18,914	-
Vehicle Lease	-	3,354	345	3,009
Licenses and permits	15,101	4,350	4,350	-
Chemicals	116,320	98,358	98,358	-
Other materials	62,604	258,695	239,903	18,792
Laboratory fees	27,001	20,589	20,914	(325)
Uniforms/clothing allowance	3,900	3,005	3,005	-
Memberships/periodicals/books	4,073	1,989	1,992	(3)
<b>SUB-TOTAL WATER PLANTS/DISTRIBUTION</b>	<b>2,036,778</b>	<b>1,908,255</b>	<b>1,900,862</b>	<b>7,393</b>

The accompanying notes are an integral part of this statement.



**IMMOKALEE WATER & SEWER DISTRICT**

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**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND  
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED  
Year ended September 30, 2019**

	Original Budget	Final Budget	Actual	Variance
WASTEWATER PLANT				
Salaries and wages	560,503	599,415	602,711	(3,296)
Overtime	25,841	10,254	10,254	-
FICA	44,855	45,976	45,976	-
Unemployment taxes	240	675	675	-
Employer pension contribution	33,630	28,763	28,763	-
Health/life insurance	192,615	136,894	136,894	-
Workers' compensation	20,313	19,675	19,675	-
Travel and training	18,000	8,388	9,007	(619)
Telephone and fax	4,016	3,498	3,832	(334)
Electric	253,158	211,766	217,573	(5,807)
Section 8 electric	6,507	5,194	5,283	(89)
General liability insurance	20,909	19,317	19,317	-
Comprehensive auto insurance	5,480	4,082	4,082	-
Other insurance	79,348	70,718	70,718	-
Section 8 field maintenance	17,372	-	-	-
Repairs and maintenance	212,343	257,959	258,919	(960)
Section 8 repairs	38,220	10,500	10,500	-
Other contract services	15,598	13,629	14,924	(1,295)
Vehicle fuel	10,057	8,618	8,618	-
Vehicle maintenance	15,829	3,979	3,979	-
Vehicle Lease	-	2,460	253	2,207
Licenses and permits	5,234	11,175	11,175	-
Chemicals	109,758	111,648	111,648	-
Other materials	53,857	60,196	40,196	20,000
Laboratory fees	51,066	40,690	40,690	-
Residuals management	245,522	180,233	180,233	-
Uniforms/clothing allowance	2,400	1,758	1,758	-
Memberships/periodicals/books	2,485	988	988	-
SUB-TOTAL WASTEWATER PLANT	2,045,156	1,868,448	1,858,641	9,807

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN**  
**NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED**  
**Year ended September 30, 2019**

Page 36 of 53

	Original Budget	Final Budget	Actual	Variance
WASTEWATER COLLECTION				
Salaries and wages	365,764	346,763	346,181	582
Overtime	35,360	17,207	17,207	-
FICA	30,686	27,704	27,704	-
Unemployment taxes	100	322	322	-
Employer pension contribution	21,946	19,824	19,824	-
Health/life insurance	114,542	101,828	101,828	-
Workers' compensation	13,896	12,976	12,976	-
Travel and training	12,000	11,760	11,760	-
Telephone and fax	2,152	2,003	2,107	(104)
Electric	35,477	30,836	31,441	(605)
General liability insurance	20,909	19,316	19,316	-
Comprehensive auto insurance	5,480	5,442	5,442	-
Other insurance	3,221	1,881	1,881	-
Repairs and maintenance	138,958	66,678	46,678	20,000
Other contract services	9,716	9,278	9,958	(680)
Vehicle fuel	17,382	9,919	9,919	-
Vehicle maintenance	12,032	7,994	7,994	-
Vehicle Lease	-	8,264	851	7,413
Licenses and permits	4,000	-	-	-
Chemicals	-	5,756	5,756	-
Other materials	53,684	36,737	36,737	-
Uniforms/clothing allowance	1,800	1,372	1,372	-
Memberships/periodicals/books	1,114	784	784	-
SUB-TOTAL WASTEWATER COLLECTION	900,219	744,644	718,038	26,606

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**

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**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND  
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED  
Year ended September 30, 2019**

	Original Budget	Final Budget	Actual	Variance
CUSTOMER SERVICE / ADMIN				
Salaries and wages	729,366	675,656	685,698	(10,042)
Overtime	3,803	1,527	1,527	-
FICA	56,087	49,022	49,022	-
Unemployment taxes	341	811	811	-
Employer pension contribution	42,502	37,067	37,067	-
Health/life insurance	177,913	168,334	168,334	-
Workers' compensation	1,851	1,841	1,841	-
Legal services	43,000	152,023	188,830	(36,807)
Legal services - sewer assessments	-	-	-	-
Other professional services	1,500	765	765	-
Accounting/auditing	49,000	62,795	62,795	-
Engineering services	143,560	142,444	142,444	-
Travel and training	34,000	24,013	24,494	(481)
Telephone and fax	4,456	3,787	4,082	(295)
Postage and freight	36,629	36,099	36,099	-
General liability insurance	4,349	4,041	4,041	-
Comprehensive auto insurance	782	680	680	-
Other insurance	46,465	40,751	40,751	-
Other contract services	4,972	9,786	9,786	-
Repairs and maintenance	30,711	86,412	86,412	-
Vehicle fuel	273	117	117	-
Vehicle maintenance	208	-	-	-
Vehicle Lease	-	2,145	221	1,924
Office supplies	30,847	10,491	10,491	-
Miscellaneous office expense	40,137	84,993	68,965	16,028
Miscellaneous bank fees	6,370	9,626	7,123	2,503
Miscellaneous expense	826	4,253	4,242	11
Arrowhead assessment exp.	3,000	-	1,749	(1,749)
Advertising	2,578	4,596	4,596	-
Licenses and permits	1,641	336	336	-
Memberships/periodicals/books	12,233	5,311	5,313	(2)
SUB-TOTAL CUSTOMER SERVICE / ADMIN	1,509,400	1,619,722	1,648,632	(28,910)

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**

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**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND  
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED  
Year ended September 30, 2019**

	Original Budget	Final Budget	Actual	Variance
MAINTENANCE				
Salaries and wages	407,951	198,251	200,120	(1,869)
Overtime	27,179	74	74	-
FICA	33,287	14,885	14,885	-
Unemployment taxes	150	183	183	-
Employer pension contribution	24,477	20,485	20,485	-
Health/life insurance	146,031	113,676	113,676	-
Workers' compensation	15,074	13,651	13,651	-
Travel and training	14,000	5,953	5,953	-
Telephone and fax	1,321	1,819	1,886	(67)
General liability insurance	2,619	2,397	2,397	-
Comprehensive auto insurance	9,395	8,163	8,163	-
Repairs and maintenance	20,209	33,066	13,066	20,000
Other contract services	4,295	5,551	5,696	(145)
Vehicle fuel	13,630	7,897	7,897	-
Vehicle maintenance	32,345	13,335	13,645	(310)
Vehicle lease	-	8,226	848	7,378
Licenses and permits	14,003	750	750	-
Other materials	27,385	25,289	25,289	-
Uniforms/clothing allowance	2,100	1,500	1,500	-
Memberships/periodicals/books	1,868	1,092	1,090	2
SUB-TOTAL MAINTENANCE	797,319	476,243	451,254	24,989
DEPRECIATION				
Depreciation	1,993,656	1,950,054	1,875,143	74,911
SUB-TOTAL DEPRECIATION	1,993,656	1,950,054	1,875,143	74,911
TOTAL OPERATING EXPENSES	9,282,528	8,567,366	8,452,570	114,796
OPERATING PROFIT	\$ 833,975	\$ 2,049,069	\$ 2,169,407	\$ 120,338

The accompanying notes are an integral part of this statement.

**IMMOKALEE WATER & SEWER DISTRICT**

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**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND  
ACTUAL WITH RECONCILIATION TO GAAP BASIS, CONTINUED  
Year ended September 30, 2019**

	Original Budget	Final Budget	Actual	Variance
<b>OPERATING PROFIT, BROUGHT FORWARD</b>	<u>\$ 833,975</u>	<u>\$ 2,049,069</u>	<u>\$ 2,169,407</u>	<u>\$ 120,338</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	58,000	149,616	149,616	-
Contributed capital - grant - FDEP/EPA	-	-	-	-
Contributed capital - grant - USDA/FHA	1,817,742	2,486,568	1,243,688	(1,242,880)
Contributed capital - customers	54,540	71,714	71,713	(1)
Contributed capital - developers	70,000	-	-	-
Debt proceeds - Capital lease	-	-	219,307	219,307
Hurricane Irma	-	174,715	174,715	-
Bond proceeds - USDA	-	-	-	-
Other non-operating revenue	35,122	39,258	33,715	(5,543)
Capital outlay	(1,942,282)	(2,558,282)	(636,772)	1,921,510
Principal retirement - bonds	(903,020)	(903,020)	(868,000)	35,020
Principal retirement - SRF			(34,491)	(34,491)
Principal retirement - capital lease			(21,931)	(21,931)
Net Assets - brought forward	7,201,945	7,633,046	-	(7,633,046)
Net Assets - carryforward	(6,126,102)	(8,129,594)	-	8,129,594
Maintenance reserve	-	-	-	-
Interest expense	(1,039,920)	(1,039,920)	(1,040,450)	(530)
Bad debt expense	(35,000)	(12,361)	(12,361)	-
Gain (Loss) on disposal of assets	(25,000)	39,191	39,191	-
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<u>(833,975)</u>	<u>(2,049,069)</u>	<u>(682,060)</u>	<u>1,367,009</u>
<b>NET PROFIT (LOSS)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,487,347</u>	<u>\$ 1,487,347</u>

**Reconciliation:**

Net profit (loss) (Non-GAAP Budgetary Basis)	\$ 1,487,347
Debt proceeds	(219,307)
Capital outlay	636,772
Principal retirement - bonds	868,000
Principal retirement - SRF	34,491
Principal retirement - Capital lease	21,931
Increase in Net Position (GAAP Basis)	2,829,234
Net position - beginning of the year	37,012,739
Net position - end of the year	<u>\$ 39,841,973</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, 2019**

Federal Agency/Pass Through State Agency/Program Title	CFDA#	Grantor's Contract Number	Program/ Award Amount
<b>FEDERAL AWARDS</b>			
<b><u>U.S. Department of Agriculture - Rural Development</u></b>			
<b>MAJOR (TYPE A)</b>			
Water and Waste Disposal Systems for Rural Communities Grant Portion - Water lines	10.760	Grant # 26	\$ 4,063,900
Water and Waste Disposal Systems for Rural Communities Grant Portion - Water lines	10.760	Grant # 27	1,547,200
Water and Waste Disposal Systems for Rural Communities Grant Portion - clarifier	10.760	Grant # 29	765,000
Water and Waste Disposal Systems for Rural Communities Loan Portion - Clarifier	10.760	Loan # 28	944,000
			<u>7,320,100</u>
<b><u>U.S. Department of Homeland Security</u></b>			
<b>NONMAJOR (TYPE B)</b>			
Disaster Grants - Public Assistance	97.036		<u>174,715</u>
TOTAL FEDERAL FINANCIAL AWARDS			<u><u>\$ 7,494,815</u></u>

(1) Does not include September 30, 2018 accounts receivable of \$362,246.

<u>Receipts/ Revenue Recognized</u>		<u>Disbursements/ Expenditures</u>	<u>Subrecipients</u>
\$ 939,368	(1)	\$ 939,368	None
304,320		304,320	None
-		-	None
-		-	None
<u>1,243,688</u>		<u>1,243,688</u>	
174,715		174,715	None
<u>\$ 1,418,403</u>		<u>\$ 1,418,403</u>	

**IMMOKALEE WATER & SEWER DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS**

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**Year ended September 30, 2019**

**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 the Uniform Guidance.

Expenditures reported on the Schedule of Expenditures of Federal Awards include cash disbursements, whether capitalized or expensed, during the fiscal year as well as loan and grant related amounts recorded as payable at year end. Revenues reported on the Schedule of Expenditures of Federal Awards include income recognized including loan and grant receivables recorded at year end. Cash receipts that were deferred are footnoted as such.

**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.

The District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.



**ADDITIONAL REPORTS**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America, the basic financial statements of the business-type activities of Immokalee Water & Sewer District (the "District") which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated March 30, 2020.

**Internal Control Over Financial Reporting**

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies in internal control may exist that have not been identified. We did, however, identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, identified as item 2018-1 that we consider to be material weaknesses, as defined previously.

Further, we also noted certain other matters that we have reported in our Report to Management dated March 30, 2020.

#### **Compliance and Other Matters**

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

#### **Purpose of This Report**

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

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

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
March 30, 2020

**Independent Auditor's Report on Compliance for Each Major  
Program/Project and on Internal Control Over Compliance Required by  
the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited Immokalee Water & Sewer District's compliance with the types of compliance requirements described in the OMB Compliance Supplement as applicable, that could have a direct and material effect on each of Immokalee Water & Sewer District's major federal programs for the year ended September 30, 2019. Immokalee Water & 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Immokalee Water & Sewer District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Immokalee Water & Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Immokalee Water & Sewer District's compliance with those requirements.

### **Opinion on Each Major Federal Program**

In our opinion, Immokalee Water & Sewer District complied, in all material respects, with the types of compliance 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, 2019.

### **Report on Internal Control Over Compliance**

Management of Immokalee Water & Sewer District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Immokalee Water & Sewer District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 & 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 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of the Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Tuscan & Company, P.A.*

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

March 30, 2020

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL**  
**AWARDS**

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**Year ended September 30, 2019**

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

Financial Statements

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
Control deficiency(ies) identified?	<u>                    </u>	Yes <u>    X    </u>	No
Significant deficiency(ies) identified?	<u>                    </u>	Yes <u>    X    </u>	No
Material weakness(es) identified?	<u>    X    </u>	Yes <u>                    </u>	None reported
Noncompliance material to financial statements noted?	<u>                    </u>	Yes <u>    X    </u>	No

Federal Awards

Internal control over major programs:			
Control deficiency(ies) identified?	<u>                    </u>	Yes <u>    X    </u>	No
Significant deficiency(ies) identified?	<u>                    </u>	Yes <u>    X    </u>	No
Material weakness(es) identified?	<u>                    </u>	Yes <u>    X    </u>	None reported
Type of auditors report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)?	<u>                    </u>	Yes <u>    X    </u>	No

Identification of major programs (Type A):

CFDA

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	U.S. Department of Agriculture
	- Loan
	- Grants

Dollar threshold used to distinguish between Type A and Type B programs

Threshold used was \$750,000.

Auditee qualified as low-risk auditee?	<u>                    </u>	Yes <u>    X    </u>	No
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Listing of Subrecipients and matching amounts passed-through:

None - not applicable

**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL**  
**AWARDS, CONTINUED**  
**Year ended September 30, 2019**

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

**2018-1      Condition:** The financial reporting of the District related to the construction project and payable was deficient and did not allow for sufficient review of account balances and supervision of data entry.

**Questioned Costs:** None

**Criteria:** Accurate monthly and annual financial information should be prepared and provided to management and the Board on a timely basis.

**Context:** Significant adjustments to the account balances as of and for the year ended September 30, 2018 were required during the audit of the financial statements.

The initial trial balance provided for the audit contained incorrect balances for accounts payable, retainage payable, contributed capital, net assets and fixed asset additions.

**Cause:** Turnover of administrative staff and increase in the volume and complexity of financial transaction postings are beyond the experience and training of the current staff.

**Effect:** Material weakness. Financial information provided to stakeholders during the fiscal year ended September 30, 2018 did not accurately reflect the District's financial position as significant adjustments were proposed during the audit process. These adjustments caused the audit process to be more time consuming and therefore delayed. It also makes audit issuance difficult to meet the Federal Single Audit reporting deadlines.

**Recommendation:** We recommend that the District obtain or designate a qualified individual to provide assistance to review monthly account balances and prepare month-end closing adjustments.



**IMMOKALEE WATER & SEWER DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL**  
**AWARDS, CONTINUED**  
**Year ended September 30, 2019**

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***Section II- Financial Statement Findings, continued***

**Current Year Addendum**

During fiscal year ended September 30, 2019, the District contracted an accounting professional experienced in governmental accounting to assist in the monthly and annual closing and reconciliation process. As a result significant improvements were made, however not all areas were addressed due to the timing of implementation. As such, several audit adjustments were still proposed. The reconciliations and adjustments caused the audit process to be delayed and time consuming. The District, with the assistance of the contracted accounting professional, has proceeded to implement a systematic process of closing and reconciling and is committed to continuing this service.

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

There were no audit findings related to Federal Awards required to be reported by 2 CFR, Section 200.516(a).

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

There were no prior year findings.

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

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

We have examined Immokalee Water & Sewer District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019. Management is responsible for Immokalee Water & Sewer District's compliance with those requirements. Our responsibility is to express an opinion on Immokalee Water & Sewer District's compliance based on our examination.

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

In our opinion, Immokalee Water & Sewer District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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



TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
March 30, 2020

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**INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT**

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

We have audited the accompanying basic financial statements of Immokalee Water & Sewer District (the "District") as of and for the year ended September 30, 2019 and have issued our report thereon dated March 30, 2020.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated March 30, 2020, should be considered in conjunction with this report to management.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Prior year comments that have not been resolved are repeated and updated below.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No such recommendations were noted to improve financial management except as noted below.

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- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, we have applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
- Pursuant to Section 10.544(1)(i)5.b.2., Rules of the Auditor General, if a deteriorating financial condition(s) is noted then a statement is so required along with the conditions causing the auditor to make such a conclusion. No such conditions were noted.
- Pursuant to Section 10.554(1)(i)5.c., Rules of the Auditor General, requires a statement indicating a failure, if any, of a component unit special district to provide financial information necessary to a proper reporting of the component unit within the audited financial statements of this entity (F.S. Section 218.39(3)(b)). There are no known component special districts required to report within these financial statements.
- Section 10.556(10)(a), Rules of the Auditor General, requires that the scope of our audit to determine the entity's compliance with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes as reported in our Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes dated May 6, 2019, included herein.

**PRIOR YEAR COMMENTS:**

- 2018-1 See finding 2018-1 noted in the Schedule of Findings and Questioned Costs - Federal Awards - Material Weakness.

2018-3 Fixed Asset Schedules Should be Complete and Maintained Accurately

During the audit, it was noted that the depreciation schedule's beginning accumulated depreciation balance did not reconcile to prior year audited financial statements. It was also noted that the depreciation method used was not consistent between all fixed assets. The District was utilizing straight line and bonus depreciation methods. We recommend the District correct the fixed asset schedule beginning accumulated depreciation and strictly use only the straight line depreciation method for all fixed assets.

Current Year Addendum:

The District continued to utilize two different depreciation methods during fiscal year ended September 30, 2019 and the beginning accumulated depreciation did not reconcile to the prior year ending balance. Therefore, the prior year comment is repeated.

**CURRENT YEAR COMMENTS:**

No financially significant comments noted.

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

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

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
March 30, 2020

## **EXHIBIT**

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

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

# Immokalee Water & Sewer District

April 2, 2020

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

Dear Ms. Norman:

This letter is in response to the Management Letter in the Immokalee Water and Sewer District's Year Ending September 30, 2019 audit, performed by Tuscan & Company, P.A.; which was presented to and accepted by the Board on April 15, 2020.

## **PRIOR YEAR COMMENTS:**

2018-1 See finding 2018-I and related 2019 addendum noted in the Schedule of Findings and Questioned Costs – Federal Awards.

*IWSD Response: The District has determined that a full-time accounting professional is necessary to perform balance sheet, revenue, expense, and payroll account reconciliations, as well as executing accounts payable and accounts receivable processes. During the April 15, 2020 meeting, the Board directed the Executive Director to initiate the hiring process of a full-time accounting professional. The hiring of a full-time employee with experience in accounting and governmental accounting practices will address this issue.*

## 2018-3 Fixed Asset Schedules Should be Complete and Maintained Accurately

During the audit, it was noted that the depreciation schedule's beginning accumulated depreciation balance did not reconcile to prior year audited financial statements. It was also noted that the depreciation method used was not consistent between all fixed assets. The District was using a straight line and bonus depreciation methods. We recommend the District correct fixed asset schedule beginning accumulated depreciation and strictly use only the straight-line depreciation method for all fixed assets.

## 2019 Addendum:

The District continued to utilize two different depreciation methods during the fiscal year ended September 30, 2019 and the beginning accumulated depreciation did not reconcile to the prior year ending balance. Therefore, the prior year comment is repeated.

*IWSD Response: The District will employ one depreciation method and adjust the fixed asset schedule accordingly.*

April 30, 2020

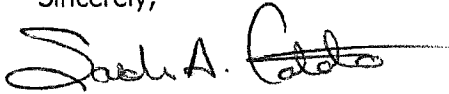
Immokalee Water and Sewer District Response to Management Letter

Audit for Year Ended September 30, 2019

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The District appreciates the efficient planning and performance of Tuscan & Company, P.A. during the audit to obtain reasonable assurance about the District's basic financial statements as well as their evaluation of the presentation of those statements. The District respects and values their effort, work product, and feedback.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah A. Catala", with a horizontal line extending from the end of the signature.

Sarah Catala, Executive Director  
Immokalee Water and Sewer District  
1020 Sanitation Road | Immokalee, FL 34142  
Phone: 239.658.3630 | Mobile: 239.651.9990  
Email: [SarahCatala@iw-sd.com](mailto:SarahCatala@iw-sd.com)  
Web: [www.iw-sd.com](http://www.iw-sd.com)