

IMMOKALEE WATER & SEWER DISTRICT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
TOGETHER WITH ADDITIONAL REPORTS
YEARS ENDED
SEPTEMBER 30, 2021 AND 2020

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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, 2021 and 2020, 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,

INTEGRITY SERVICE EXPERIENCE

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, 2021 and 2020, 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 - VIII 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, 2021 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, 2021 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, 2021 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 1 - Management's Response to Independent Auditor's Report to Management and Exhibit 2 - Florida Rules of the Auditor General - Rule 10.554(l)(i)6-8 Compliance are not a required part of the basic financial statements but are required by Government Auditing Standards and/or Rules of the Auditor General, Section 10.554(i), respectively. 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, 2022, 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, 2022, 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

Board of Commissioners
Immokalee Water & Sewer District
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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.". The script is cursive and fluid, with the letters "Tuscan" and "Company" being more prominent than "P.A.". The signature is written in a professional, business-like style.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
March 30, 2022

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

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2021

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, 2021.

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, 2021

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, 2020 and 2021 are as follows:

	September 30,	
	2020	2021
Current and other assets	\$ 19,162,962	\$ 19,157,207
Capital assets, net	57,509,486	57,839,301
Total assets	<u>\$ 76,672,448</u>	<u>\$ 76,996,508</u>
Current liabilities	\$ 3,526,538	\$ 4,498,790
Long-term liabilities	31,071,201	30,187,762
Total liabilities	<u>34,597,739</u>	<u>34,686,552</u>
Net position:		
Net Investment in capital assets	25,758,542	26,938,398
Restricted	3,321,903	3,247,717
Unrestricted	12,994,264	12,123,841
Total net position	<u>42,074,709</u>	<u>42,309,956</u>
Total liabilities and net position	<u>\$ 76,672,448</u>	<u>\$ 76,996,508</u>
Operating revenue:		
Water service	\$ 3,954,033	\$ 4,096,083
Wastewater service	5,578,513	5,832,186
Meter service charges	790,679	826,307
Late fees	71,125	83,325
Reconnection /transfer fee	99,205	105,444
Miscellaneous revenue	135,117	285,718
Cross connection control fees	363,676	370,198
Total operating revenues	<u>10,992,348</u>	<u>11,599,261</u>
Operating expenses:		
Water treatment and distribution expense	1,998,670	2,241,418
Wastewater treatment expense	1,851,581	1,976,012
Wastewater collection expense	801,188	940,465
Customer service and administrative expense	2,040,490	2,369,788
Maintenance	481,130	388,238
Total operating expenses, excluding depreciation	<u>7,173,059</u>	<u>7,915,921</u>
Depreciation	2,184,329	2,525,470
Total operating expenses, including depreciation	<u>9,357,388</u>	<u>10,441,391</u>
Operating profit (loss)	<u>1,634,960</u>	<u>1,157,870</u>
Net nonoperating revenue/(expense)	<u>(877,044)</u>	<u>(1,049,507)</u>
Profit (loss) before capital grants	757,916	108,363
Capital grants and contributions	1,160,227	126,884
Increase (Decrease) in net position	<u>1,918,143</u>	<u>235,247</u>
Beginning of year net position	<u>40,156,566</u>	<u>42,074,709</u>
End of year net position	<u>\$ 42,074,709</u>	<u>\$ 42,309,956</u>

(Continued)

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2021

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, 2021.

Financial Highlights

- The District completed a rate study and adopted the related rate increase of 3% per year for FY 2020-2022. Rate increases are effective on October 1, 2019, October 1, 2020 and October 1, 2021.
- The District ended the year September 30, 2020, with a net position of \$42,074,709 of which \$25,758,542 represented the net investment in capital assets and \$12,994,264 was unrestricted. The ending net position was \$1,918,143 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, 2021, with a net position of \$42,309,956 of which \$26,938,398 represented the net investment in capital assets and \$12,123,841 was unrestricted. The ending net position was \$235,247 more than the net position at the beginning of the year. This was primarily the result of the implementation of the rate increases.
- The District had profit before capital contributions, for the years ended September 30, 2020 and 2021 of \$757,916 and \$108,363, 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%. District projects are financed through a combination of bonds, 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%.
- The District ended the year September 30, 2020 with cash and cash equivalents and investments of approximately \$16,971,903. However, only \$12,274,927 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 District ended the year September 30, 2021 with cash and cash equivalents and investments of approximately \$16,918,945. However, only \$12,266,422 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 2020, cash and cash equivalents increased by \$997,575 compared to the year ended September 30, 2019. 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 (principal and interest) resulted in the spending of cash of nearly \$1,985,956.
- The statement of cash flows identifies the sources and uses of cash activity for the fiscal year. For fiscal year 2021, cash and cash equivalents increased by \$469,004

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2021

compared to an increase of \$997,575 for the year ended September 30, 2020. 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 (principal and interest) resulted in the spending of nearly \$1,971,032.

Revenue

As in previous years, the wastewater service revenues make up half or more of the operating revenues, accounting for 51% in 2020 and 50% in 2021. Water revenue accounted for 36% in 2020 and 35% in 2021. Meter service charges, late fee charges, reconnection fees, and miscellaneous revenues also remained constant between the two years. Cross connection control fees remained at 3 % in 2020 and 2021.

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 revised capital improvement plan, in conjunction with the Immokalee Master Plan, to identify the needs within the next fiscal year.

Expenses

Due to the significant investments the District has in capital assets, depreciation continues to be one the largest operating expenses at 23-24% of total operating expenses per year. Unlike the other expenses listed, depreciation is not a cash expense.

The first largest department, by expenses, is the administration department, which consists of nine full time employees and one part-time employee. The related operating expenses remained constant at 22% and 23% of total expenses in 2020 and 2021, respectively. The largest expense, in this department, other than salaries and benefits are engineering and legal fees.

The second highest department, by expenses, is the water treatment and distribution department with twelve full time employees. The related operating expenses of 20% and 21% were 2020 and 2021, respectively. 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, by expenses, at 20% and 19% of total operating expenses is for wastewater treatment, which remained constant between 2020 and 2021, 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

IMMOKALEE WATER & SEWER DISTRICT

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Management's Discussion and Analysis

September 30, 2021

is electric, which accounted for over \$167,000 and \$200,000 in expenses in 2020 and 2021, respectively.

The next largest department by expenses is the wastewater collection department, which consists of five full time employees. The related operating expenses were at 8% and 9% in 2020 compared to 2021, respectively.

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 accounts for 5% and 3% of total operating expenses in 2020 and 2021, respectively. 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 account for 42% and 37% of the total operating expenses in 2020 and 2021, making it the largest expense category. Depreciation expense accounts for 23% and 24%, for 2020 and 2021, respectively.

The District continues to monitor costs. The District considers cost of living increases during the budget cycle and provides merit increases based upon performance evaluations. The District follows best practices for water and wastewater systems in promoting employees who meet specified criteria for certification and licensing. 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.

General Fund Budgetary Highlights

Over the course of the 2021 fiscal year, the Board of Commissioners amended the District budget. These budget amendments were done primarily to a) increase operating revenue, 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

For the fiscal year 2021 total operating revenues were increased by approximately \$158,000 more than originally budgeted, and total operating expenses, excluding depreciation expense, were decreased by nearly \$200,000.

Capital outlay – capital outlay was increased by nearly \$800,000.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2021

Final Budget to Actual Variance

For the fiscal year 2020 total operating revenue was approximately \$152,000 more than budgeted.

Capital Assets

The District's net capital assets as of September 30, 2020 and 2021 amounted to \$57,509,486 and \$57,893,301 (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:

	2020	2021
Construction in progress	\$ 1,390,104	\$ 2,449,349
Buildings and improvements	-	-
Water and wastewater plants and systems	589,848	330,922
Machinery and equipment	22,915	75,014
	<u>\$ 2,002,867</u>	<u>\$ 2,855,285</u>

Construction in progress for 2020 was primarily for the clarifier project, Lift Station H and Master Lift Station X8 and line relocation projects.

Construction in progress for 2021 was primarily for the clarifier project.

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.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2021

Debt

As of September 30, 2020, the District had \$31,080,969 of revenue bonds outstanding. The total amount outstanding for these categories of debt decreased, to reflect the principal payments by the District of \$901,000.

As of September 30, 2021, the District had \$30,311,969 of revenue bonds outstanding. The total amount outstanding for these categories of debt decreased, to reflect the principal payments by the District of \$769,000.

Unrestricted Net Assets

As of September 30, 2020, the District had designated \$10,155,999 in unrestricted net assets, as recommended by the auditor. The District designated \$841,000 for emergencies, \$4,138,975 for operations, \$464,495 for vehicle replacement, \$337,557 for capital equipment, and \$4,373,972 for maintenance reserve.

As of September 30, 2021, the District had designated \$10,744,661 in unrestricted net assets, as recommended by their auditor. The District designated \$941,631 for emergencies, \$3,813,925 for operations, \$607,483 for vehicle replacement, \$1,000,000 for capital equipment, and \$4,381,622 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 3% on water and for wastewater to go into effect on October 1, 2019, October 1, 2020 and October 1, 2021.

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 280 homes.

IMMOKALEE WATER & SEWER DISTRICT

Required Supplementary Information

Management's Discussion and Analysis

September 30, 2021

Other Residential:

The nearby Ave Maria University campus is expected to eventually impact Immokalee with increased demand for low cost residential homes for workers. Discussions were held in previous years with Lennar Homes regarding the possibility of 5,000 to 6,000 homes in the Serenoa subdivision, however, that did not materialize following the nationwide slump in housing prices. Barron Collier has since acquired that property, and they have not yet indicated what they plan to use the property for. Collier Enterprises has withdrawn their plans to build 400 homes near the Florida Tradeport.

Commercial

The EDC continues to market the Florida Tradeport, but has been unable to secure a key industry for that location. Plans were previously approved for the CCAA USDA Manufacturing Building at the airport, and that building is complete. Collier County Public Schools completed construction on the new Bethune Education Center. Collier County Parks completed the upgrade of their South Park Community Center. Immokalee continues to attract economically viable businesses within its boundaries. IWSD installed water and wastewater infrastructure to accommodate larger retail uses. Family Dollar has completed a new building on New Market Road. IWSD continues to provide water and wastewater services to the Seminole Tribe's casino and is working on an emergency interconnect agreement for the residential component of the reservation. New commercial development continues to be planned along the fringes of downtown Immokalee. Saint Matthews House replaced their Thrift Store on Main Street. First Bank built a new facility on North 15th Street.

IWSD continues to evaluate our wastewater operations. The District has just begun the rehabilitation of three clarifiers.

The District continues to manufacture our own fertilizer branded "Organi Kalee" and markets to agricultural uses.

The A/C and Undersized Water Lines Replacement project replaced and upgraded over 50 miles of water lines within Immokalee. The cost of the project was over \$20,000,000 and funded through the USDA.

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 11,652,385	\$ 11,138,928
Investments - CDs	614,037	1,135,999
Accounts receivable, net	735,906	641,044
Other receivables	86,052	36,956
Inventory	341,664	374,786
Prepaid expenses	<u>-</u>	<u>1,200</u>
TOTAL CURRENT ASSETS	<u>13,430,044</u>	<u>13,328,913</u>
RESTRICTED ASSETS		
Cash	4,652,523	4,696,976
Grant and assessment receivables	<u>1,074,640</u>	<u>1,137,073</u>
TOTAL RESTRICTED ASSETS	<u>5,727,163</u>	<u>5,834,049</u>
CAPITAL ASSETS		
Capital assets not being depreciated:		
Land	2,645,941	2,645,941
Construction in progress	1,820,071	964,893
Capital assets being depreciated:		
Buildings and improvements	1,670,776	1,670,776
Water and wastewater plants and systems	88,725,161	86,800,068
Machinery and equipment	3,587,242	3,536,228
Less:		
Accumulated depreciation	<u>(40,609,890)</u>	<u>(38,108,420)</u>
	<u>57,839,301</u>	<u>57,509,486</u>
TOTAL ASSETS	<u>\$ 76,996,508</u>	<u>\$ 76,672,448</u>

The accompanying notes are an integral part of this statement.

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts and contracts payable	\$ 1,813,119	\$ 840,224
Other accrued expenses	162,364	130,307
Capital lease payable, current portion	<u>43,861</u>	<u>43,861</u>
TOTAL CURRENT LIABILITIES	<u>2,019,344</u>	<u>1,014,392</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Revenue bonds payable, current portion	798,000	769,000
Loans payable - SRF, current portion	37,825	36,866
Accrued revenue bond interest	85,239	81,322
Retainage payable	46,541	178,509
Customer deposits	<u>1,511,841</u>	<u>1,446,449</u>
TOTAL CURRENT LIABILITIES (Payable from Restricted Assets)	<u>2,479,446</u>	<u>2,512,146</u>
LONG-TERM LIABILITIES		
Line of Credit (LOC)	-	-
Revenue bonds payable, net of current portion	29,513,969	30,311,969
Loans payable - SRF, net of current portion	387,954	426,093
Capital lease payable, net of current portion	65,793	109,654
Bond anticipation note	53,501	53,501
Accrued compensated absences	<u>166,545</u>	<u>169,984</u>
TOTAL LONG-TERM LIABILITIES	<u>30,187,762</u>	<u>31,071,201</u>
Commitments	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>34,686,552</u>	<u>34,597,739</u>
NET POSITION		
Net investment in capital assets	26,938,398	25,758,542
Restricted	3,247,717	3,321,903
Unrestricted	<u>12,123,841</u>	<u>12,994,264</u>
TOTAL NET POSITION	<u>42,309,956</u>	<u>42,074,709</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 76,996,508</u>	<u>\$ 76,672,448</u>

IMMOKALEE WATER & SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended September 30, 2021 and 2020

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	2021	2020
OPERATING REVENUES		
Water service	\$ 4,096,083	\$ 3,954,033
Wastewater service	5,832,186	5,578,513
Meter service charge	826,307	790,679
Late fees	83,325	71,125
Reconnect and transfer fees	105,444	99,205
Miscellaneous charges, fees and other income	285,718	135,117
Cross connection control fee	370,198	363,676
TOTAL OPERATING REVENUES	11,599,261	10,992,348
OPERATING EXPENSES		
Water treatment and distribution	2,241,418	1,998,670
Wastewater treatment	1,976,012	1,851,581
Wastewater collection	940,465	801,188
Customer service and administrative	2,369,788	2,040,490
Maintenance	388,238	481,130
TOTAL OPERATING EXPENSES		
PRIOR TO DEPRECIATION	7,915,921	7,173,059
Depreciation	2,525,470	2,184,329
TOTAL OPERATING EXPENSES	10,441,391	9,357,388
OPERATING PROFIT (LOSS)	1,157,870	1,634,960
NON-OPERATING REVENUES (EXPENSES)		
Interest income	59,327	144,795
Gain (loss) on disposition of capital assets	7,200	-
Interest expense	(1,124,908)	(1,004,948)
Bad debt expense adjustment	-	(19,370)
Covid 19 expense	(26,308)	(33,166)
Other income	35,182	35,645
NET NON-OPERATING EXPENSES	(1,049,507)	(877,044)
PROFIT (LOSS) BEFORE CAPITAL CONTRIBUTIONS		
	108,363	757,916
CAPITAL CONTRIBUTIONS		
USDA - grants	-	778,792
Customers	79,095	55,765
Developers	47,789	325,670
TOTAL CAPITAL CONTRIBUTIONS	126,884	1,160,227
INCREASE (DECREASE) IN NET POSITION	235,247	1,918,143
NET POSITION - Beginning of the year	42,074,709	40,156,566
NET POSITION - End of the year	\$ 42,309,956	\$ 42,074,709

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
STATEMENTS OF CASH FLOWS
Years ended September 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Cash received from customers	\$ 11,504,845	\$ 11,107,153
Cash payments to suppliers and employees	<u>(6,880,086)</u>	<u>(6,965,228)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,624,759</u>	<u>4,141,925</u>
CASH FLOWS FROM (USED IN) NONCAPITAL FINANCING:		
Other income received	35,182	32,187
Other expenses paid (Covid 19)	<u>(26,308)</u>	<u>(33,166)</u>
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING	<u>8,874</u>	<u>(979)</u>
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(2,987,253)	(2,572,303)
Proceeds from sale of capital assets (gain)	7,200	-
Principal paid on revenue bonds	(769,000)	(901,000)
Principal paid on loans - SRF	(37,180)	(36,147)
Interest paid on bonds and other obligations	(1,120,991)	(1,004,948)
Proceeds from special assessment collections	78,283	78,420
Proceeds from bond anticipation note (BAN)	-	53,501
Proceeds capital lease	-	-
Principal paid on capital lease	(43,861)	(43,861)
FEMA	-	3,458
Capital contributions - USDA	-	778,792
Membership/customer/developer connection fees/assessment	<u>126,884</u>	<u>381,435</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,745,918)</u>	<u>(3,262,653)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Interest earned on investments	41,445	119,282
Purchase of certificate of deposit	-	-
Sale of certificate of deposit	<u>539,844</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>581,289</u>	<u>119,282</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	469,004	997,575
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>15,835,904</u>	<u>14,838,329</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 16,304,908</u>	<u>\$ 15,835,904</u>

The accompanying notes are an integral part of this statement.

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
OPERATING PROFIT (LOSS)	<u>\$ 1,157,870</u>	<u>\$ 1,634,960</u>
Adjustments to reconcile operating profit to net cash provided by operating activities:		
Depreciation (non cash)	2,525,470	2,184,329
Increase (decrease) in accrued compensated absences (non cash)	(3,439)	20,910
(Increase) decrease in accts. receivable, net of bad debt expense	(94,862)	50,411
(Increase) decrease in other receivables	(49,096)	(18,673)
(Increase) decrease in grant receivables	(15,850)	-
(Increase) decrease in inventory	33,122	(38,086)
(Increase) decrease in prepaid expenses	1,200	51,881
Increase (decrease) in accounts and contracts payable	972,895	171,889
Increase (decrease) in other accrued expenses	32,057	1,237
Increase (decrease) in customer deposits	<u>65,392</u>	<u>83,067</u>
 TOTAL ADJUSTMENTS	 <u>3,466,889</u>	 <u>2,506,965</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u><u>\$ 4,624,759</u></u>	 <u><u>\$ 4,141,925</u></u>

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020**

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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 of Commissioner members up to \$250 each per month.

On June 20, 2021, Laws of Florida, Chapter 2021-263 amended Laws of Florida, Chapter 98-495 to allow Board member terms to be 4 years or until a successor is appointed by the Governor.

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

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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

Reporting Entity, continued

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 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 Board 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 Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows) 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 Statements 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.

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020**

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**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 statements of net position. 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, 2021 to decrease total budgeted net revenue by \$1,736,355 and an increase in budgeted expenses (including net non-operating revenue and expense) by \$1,736,355.

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 net realizable value. 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 \$5,000 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

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 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. Accrued unused vacation is accrued and paid at termination. Accrued unused sick time is not 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, 2022, 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.

**IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020**

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**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, 2021 and 2020.

NOTE B - CASH AND INVESTMENTS

At September 30, 2021 and 2020, cash and cash equivalents (including both restricted and unrestricted cash and cash equivalents) were \$16,304,908 and \$15,835,904 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, 2021 and 2020

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NOTE B - CASH AND INVESTMENTS, CONTINUED

Deposits, continued

	Insured/ Collateralized	Bank Balance	Carrying Amount
<u>September 30, 2021</u>			
Unrestricted			
Depository accounts	\$ 2,135,484	\$ 2,135,484	\$ 2,115,320
Money market	9,533,665	9,533,665	9,533,665
	<u>11,669,149</u>	<u>11,669,149</u>	<u>11,648,985</u>
Restricted			
Depository accounts	1,495,355	1,495,355	1,495,355
Money market	3,157,168	3,157,168	3,157,168
	<u>4,652,523</u>	<u>4,652,523</u>	<u>4,652,523</u>
	<u>\$ 16,321,672</u>	<u>\$ 16,321,672</u>	<u>\$ 16,301,508</u>
<u>September 30, 2020</u>			
Unrestricted			
Depository accounts	\$ 763,039	\$ 763,039	\$ 779,310
Money market	10,356,218	10,356,218	10,356,218
	<u>11,119,257</u>	<u>11,119,257</u>	<u>11,135,528</u>
Restricted			
Depository accounts	1,460,184	1,460,184	1,460,184
Money market	3,236,792	3,236,792	3,236,792
	<u>4,696,976</u>	<u>4,696,976</u>	<u>4,696,976</u>
	<u>\$ 15,816,233</u>	<u>\$ 15,816,233</u>	<u>\$ 15,832,504</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, 2021 and 2020

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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:

	2021	2020
Construction account	\$ 50,805	\$ 112,310
Bond sinking fund reserve	2,238,746	2,422,057
Department of Environmental Protection- Deep Well Injection Reserve	240,216	239,737
Customer deposits	1,492,855	1,457,684
Loan debt service	114,836	29,397
Special assessment - ArrowHead	464,012	409,735
Special assessment - SR 29	51,053	26,056
	<u>\$ 4,652,523</u>	<u>\$ 4,696,976</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 \$614,037 and \$1,135,999 (bank and book balance) invested in certificates of deposit at September 30, 2021 and 2020, respectively. The CDs carried interest rates of 2.96% at September 30, 2021. The CDs mature on December 4, 2022.

NOTE C - ACCOUNTS RECEIVABLE, NET

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

	2021	2020
Customer receivables (water/sewer)	\$ 805,649	\$ 710,787
Less allowance for doubtful accounts	(69,743)	(69,743)
Net receivables	<u>\$ 735,906</u>	<u>\$ 641,044</u>

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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NOTE D - GRANT AND ASSESSMENT RECEIVABLES

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

	2021	2020
Grant receivable	\$ 15,850	\$ -
Special Assessments	<u>1,058,790</u>	<u>1,137,073</u>
	<u>\$ 1,074,640</u>	<u>\$ 1,137,073</u>

The District levied a special assessment of \$1,060,900 on system users benefiting from the system improvements (ArrowHead) 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:

	2021	2020
Balance, October 1,	\$ 690,330	\$ 743,756
Assessment levied	-	-
Collections	<u>(53,377)</u>	<u>(53,426)</u>
	<u>\$ 636,953</u>	<u>\$ 690,330</u>

The District levied a special assessment of \$496,731 on system users benefiting from system improvements on State Road 29 during the year ended September 30, 2019. The assessment was initially levied through the Collier County Tax Collector on November 1, 2018. 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:

	2021	2020
Balance, October 1,	\$ 446,743	\$ 471,737
Assessment levied	-	-
Collections	<u>(24,906)</u>	<u>(24,994)</u>
	<u>\$ 421,837</u>	<u>\$ 446,743</u>

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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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, 2021:

	Balance October 1 2020	Additions	Retirements	Adjustments/ Reclassifications	Balance September 30 2021
Capital Assets Not Being Depreciated:					
Land	\$ 2,645,941	\$ -	\$ -	\$ -	\$ 2,645,941
Construction in Progress	964,893	2,449,349	-	(1,594,171)	1,820,071
Total Capital Assets Not Being Depreciated	3,610,834	2,449,349	-	(1,594,171)	4,466,012
Capital Assets Being Depreciated:					
Buildings & Improvements	1,670,776	-	-	-	1,670,776
Water and Wastewater					
Plant and Systems	86,800,068	330,922	-	1,594,171	88,725,161
Machinery & Equipment	3,536,228	75,014	(24,000)	-	3,587,242
Total Capital Assets Being Depreciated	92,007,072	405,936	(24,000)	1,594,171	93,983,179
Less Accumulated Depreciation:					
Buildings & Improvements	(923,390)	(43,670)	-	15,765	(951,295)
Plant and Systems	(34,775,180)	(2,278,386)	-	(925,811)	(37,979,377)
Machinery & Equipment	(2,409,850)	(203,414)	24,000	910,046	(1,679,218)
Total Accumulated Depreciation	(38,108,420)	(2,525,470)	24,000	-	(40,609,890)
Capital Assets, Net	\$ 57,509,486	\$ 329,815	\$ -	\$ -	57,839,301
				Related debt	(30,900,903)
				Net Investment in Capital Assets	\$ 26,938,398

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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NOTE E - CAPITAL ASSET ACTIVITY, CONTINUED

The depreciation expense for the years ended September 30, 2021 and 2020 was \$2,525,470 and \$2,184,329, respectively. During the years ended September 30, 2021 and 2020, the District continued construction on its system-wide improvements.

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 years ended September 30, 2021 and 2020.

During the year ended September 30, 2021, the District, however, settled a dispute related to system improvements. As such, the District agreed to settle with the vendor plus \$155,297 in interest. The District expensed this cost.

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 available 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 into the 401(a) Plan are only required for those participating employees who contribute three (3%) of their gross wages, as defined. During the years ended September 30, 2021, 2020, and 2019, the District contributed 100% of its required contributions.

NOTE F - RETIREMENT PLANS, CONTINUED

Plan Description and Provisions, continued

Section 401(a) Plan

The District's gross contributions (employer portion) to the Plan for the years ended September 30, 2021, 2020 and 2019 were \$148,649, \$157,046, and \$142,584 respectively. Employee contributions to the Plan were \$82,610, \$78,363 and \$73,939, respectively for the years ended September 30, 2021, 2020, and 2019, 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. Benefits available to the employee from the Plan are those generated from the respective employees account. The employees account may lose principal. 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, 2021 the deferral limit to the Plan was \$19,500. Employees are immediately vested in their salary deferral amounts.

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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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, 2019	\$ 31,981,969
Principal retired	(901,000)
Bonds issued	<u>-</u>
Balances - September 30, 2020	31,080,969
Principal retired	(769,000)
Bonds issued	<u>-</u>
Balances - September 30, 2021	<u><u>\$ 30,311,969</u></u>

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

	<u>2021</u>	<u>2020</u>
\$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.	\$ 137,969	\$ 165,969
\$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.	1,716,000	1,846,000
\$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.	114,000	123,000

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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NOTE G - REVENUE BONDS PAYABLE, CONTINUED

	<u>2021</u>	<u>2020</u>
\$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.	2,551,000	2,674,000
\$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.	521,000	541,000
\$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.	1,623,000	1,673,000
\$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.	2,811,000	2,869,000

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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NOTE G - REVENUE BONDS PAYABLE, CONTINUED

	<u>2021</u>	<u>2020</u>
\$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.	4,560,000	4,619,000
\$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>16,278,000</u>	<u>16,570,000</u>
	30,311,969	31,080,969
Less: current portion		
(due in one year)	<u>(798,000)</u>	<u>(769,000)</u>
Long-term portion	<u>\$ 29,513,969</u>	<u>\$ 30,311,969</u>

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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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 Reserve balances at September 30, 2021 and 2020, 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>
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	892,000	836,410	1,728,410
2026	899,969	802,960	1,702,929
2027 - 2031	4,991,000	3,487,047	8,478,047
2032 - 2036	5,527,000	2,523,983	8,050,983
2037 - 2041	4,010,000	1,775,990	5,785,990
2042 - 2046	3,901,000	1,211,328	5,112,328
2047 - 2051	3,729,000	696,556	4,425,556
2052 - 2056	3,227,000	286,148	3,513,148
2057	650,000	14,625	664,625
	<u>\$ 30,311,969</u>	<u>\$ 14,331,701</u>	<u>\$ 44,643,670</u>

Revenue bond debt interest expense was \$957,219 and \$992,500 for the years ended September 30, 2021 and 2020, respectively. No revenue bond debt interest expense was capitalized in either year.

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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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, 2019	\$ 278,813	\$ 220,293	\$ 499,106
Principal retired	(20,129)	(16,018)	(36,147)
Balance-September 30, 2020	258,684	204,275	462,959
Principal retired	(20,771)	(16,409)	(37,180)
Balance-September 30, 2021	<u>\$ 237,913</u>	<u>\$ 187,866</u>	<u>\$ 425,779</u>

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

	2021	2020
\$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.	\$ 237,913	\$ 258,684
\$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.	187,866	204,275
Total loans payable	425,779	462,959
Less current portion:	(37,825)	(36,866)
	<u>\$ 387,954</u>	<u>\$ 426,093</u>

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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NOTE H - LOANS PAYABLE - SRF, CONTINUED

Years Ending September 30	Principal	Interest	Total
2022	\$ 37,825	\$ 10,770	\$ 48,595
2023	38,810	9,785	48,595
2024	39,820	8,775	48,595
2025	40,856	7,738	48,594
2026	41,920	6,675	48,595
2027 - 2031	226,548	16,113	242,661
	<u>\$ 425,779</u>	<u>\$ 59,856</u>	<u>\$ 485,635</u>

Loans payable - SRF related interest expense was \$11,038 and \$12,448 for the years ended September 30, 2021 and 2020, 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, 2019	\$ 197,376
Proceeds	-
Principal payments	(43,861)
Balances - September 30, 2020	153,515
Proceeds	-
Principal payments	(43,861)
Balances - September 30, 2021	<u>\$ 109,654</u>

The cost of capital assets under lease was \$219,307 at September 30, 2021. The accumulated depreciation was \$109,653 and the current year depreciation expense was \$43,861 on those capital assets.

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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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
2022	\$ 43,861	\$ -	\$ 43,861
2023	43,861	-	43,861
2024	21,932	-	21,932
	<u>\$ 109,654</u>	<u>\$ -</u>	<u>\$ 109,654</u>

Interest expense related to the capital lease was \$0 and \$0 for the years ended September 30, 2021 and 2020, 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, 2021 or 2020. The LOC required interest paid quarterly and principal at maturity. Interest accrues at Prime Rate plus .50% with a floor rate of 3.75%. The LOC is due in full on October 15, 2022. Interest rate at September 30, 2021 was 3.75%.

NOTE K - BOND ANTICIPATION NOTE

On May 4, 2020 the District entered into a Bond Anticipation Note (BAN) with a financial institution to provide interim construction financing for improvements to water facilities, clarifier project, in the amount of \$944,000. Interest payable at 2.15% is due every six months. The BAN requires accrued interest and principal payable every six (6) months and upon maturity. The note is collateralized by a commitment from the USDA Rural Development Program. At September 30, 2021 and 2020, the BAN payable balance was \$53,501 and \$53,501, respectively. Interest expense for the years ended September 30, 2021 and 2020 was \$1,354 and \$0 and no loan interest costs were capitalized. Upon completion of the related construction project, the BAN will be replaced by permanent financing from USDA by the \$944,000 Series 2021, Water and Sewer Revenue Bonds.

IMMOKALEE WATER & SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021 and 2020

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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 at termination. Unused accrued sick time is not paid at termination. Accrued compensated absences had the following activity for the year ended September 30:

	<u>Amount</u>
Accrued compensated absences, September 30, 2019	\$ 149,074
Net Increase	<u>20,910</u>
Accrued compensated absences, September 30, 2020	169,984
Net Decrease	<u>(3,439)</u>
Accrued compensated absences, September 30, 2021	<u>\$ 166,545</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, 2021 and 2020

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NOTE N - NET POSITION (NET ASSETS)

Restricted net assets consist of the following at September 30:

	2021	2020
Restricted assets	\$ 5,727,163	\$ 5,834,049
Less: liabilities payable from restricted cash	<u>(2,479,446)</u>	<u>(2,512,146)</u>
	<u>\$ 3,247,717</u>	<u>\$ 3,321,903</u>

Unrestricted net assets consist of the following at September 30:

	2021	2020
Designated for emergencies	\$ 941,631	\$ 841,000
Designated for operations	3,813,925	4,138,975
Designated for vehicle replacement	607,483	464,495
Designated for capital equipment	1,000,000	337,557
Designated for maint. reserve - wastewater	3,569,382	3,549,492
Designated for maint. reserve - water	<u>812,240</u>	<u>824,480</u>
Total Designated	10,744,661	10,155,999
Undesignated	<u>1,379,180</u>	<u>2,838,265</u>
Total unrestricted net assets	<u>\$ 12,123,841</u>	<u>\$ 12,994,264</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, 2021 and 2020**

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NOTE P - COMMITMENT

On July 23, 2019, the USDA obligated funds to the District for a \$2,760,236 Clarifier Rehabilitation Project to be funded with a \$944,000 Series 2021 Water and Sewer Revenue bonds and a \$765,000 grant. The remaining funds will be provided by the District. The project began in June 2020 and is estimated to be completed in August 2022. The Project is to be funded initially by the District. As of September 30, 2021, \$930,814 was expended for this project.

NOTE Q - COVID 19

In early March 2020, the World Health Organization classified the coronavirus outbreak "COVID-19" as a global pandemic, and it, unfortunately, continues to spread. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, have been severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. On April 1, 2020, Florida Governor, Ron DeSantis ordered all Floridians to stay home, to lock down the State against the Coronavirus. Certain governmental activity was cancelled and/or severely limited.

The District has adapted its operations to accommodate the current environment. However, the full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to instability in financial markets. Management is actively monitoring the local situation on its financial condition, liquidity, operations, donors, industry, and workforce. Given the daily evolution of COVID-19 and the global and local responses to curb its spread, the District is not able to estimate the future effects of COVID-19 on its results of operation, financial condition, or liquidity for fiscal year 2021-22.

NOTE R - SUBSEQUENT EVENT

The District submitted and the Legislature approved HB/CS 1495 on March 10, 2022. The Bill provides for and/or clarifies a variety of District rights and authority, including defining the requirements for Board quorum.

**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, 2021

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	Original Budget	Final Budget	Actual	Variance
OPERATING REVENUES				
Water service	\$ 4,173,391	\$ 4,096,083	\$ 4,096,083	\$ -
Wastewater service	5,822,484	5,832,186	5,832,186	-
Meter service charge	816,968	826,307	826,307	-
Late fees	76,109	83,325	83,325	-
Reconnect and transfer fees	105,631	105,444	105,444	-
Miscellaneous charges, fees and other income	105,609	291,563	285,718	(5,845)
Cross connection control fee	346,922	370,198	370,198	-
TOTAL OPERATING REVENUES	11,447,114	11,605,106	11,599,261	(5,845)
OPERATING EXPENSES				
WATER PLANTS / DISTRIBUTION				
Salaries and wages	835,078	778,781	778,781	-
Overtime	52,299	16,910	16,910	-
FICA	67,884	59,838	59,838	-
Unemployment taxes	1,940	(9)	(9)	-
Employer pension contribution	53,243	41,429	41,429	-
Health/life insurance	269,477	209,917	211,972	(2,055)
Workers' compensation	51,468	13,301	13,301	-
Travel and training	28,000	24,850	24,850	-
Telephone and fax	6,940	6,516	6,516	-
Electric	182,656	159,317	159,317	-
General liability insurance	29,101	20,986	20,986	-
Comprehensive auto insurance	10,346	8,685	8,685	-
Other insurance	88,389	88,725	88,725	-
Repairs and maintenance	390,006	136,073	136,073	-
Other contract services	27,475	38,713	38,713	-
Vehicle fuel	26,075	31,488	31,488	-
Vehicle maintenance	16,647	6,762	6,762	-
Vehicle Lease	6,288	284	284	-
Licenses and permits	5,596	4,125	4,125	-
Chemicals	95,020	83,971	83,971	-
Other materials	334,019	480,893	480,893	-
Tools	300	4,058	4,058	-
Laboratory fees	27,201	17,235	17,235	-
Uniforms/clothing allowance	4,200	3,957	3,957	-
Memberships/periodicals/books	4,859	2,564	2,558	6
SUB-TOTAL WATER PLANTS/DISTRIBUTION	2,614,507	2,239,369	2,241,418	(2,049)

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, 2021**

	Original Budget	Final Budget	Actual	Variance
WASTEWATER PLANT				
Salaries and wages	568,422	669,233	669,233	-
Overtime	18,189	17,732	17,732	-
FICA	44,876	51,819	51,819	-
Unemployment taxes	1,386	95	96	(1)
Employer pension contribution	35,197	33,689	33,689	-
Health/life insurance	159,610	138,813	148,539	(9,726)
Workers' compensation	21,118	7,377	7,377	-
Engineering services	-	36,442	36,442	-
Travel and training	18,000	13,147	13,147	-
Telephone and fax	3,403	497	497	-
Electric	220,470	200,466	200,466	-
Section 8 electric	5,000	3,870	3,870	-
General liability insurance	29,101	20,986	20,986	-
Comprehensive auto insurance	4,702	3,722	3,722	-
Other insurance	84,766	83,205	83,205	-
Section 8 field maintenance	492	-	-	-
Repairs and maintenance	226,222	179,445	179,445	-
Section 8 repairs	19,790	470	470	-
Other contract services	14,938	94,149	94,149	-
Vehicle fuel	12,506	8,880	8,880	-
Vehicle maintenance	4,401	418	418	-
Vehicle Lease	4,630	260	260	-
Licenses and permits	4,290	5,328	5,328	-
Chemicals	108,097	90,111	90,111	-
Other materials	54,898	31,855	31,855	-
Tools	300	220	220	-
Laboratory fees	46,966	78,134	78,134	-
Residuals management	201,639	192,709	192,709	-
Uniforms/clothing allowance	3,000	1,653	1,653	-
Memberships/periodicals/books	3,124	1,560	1,560	-
SUB-TOTAL WASTEWATER PLANT	1,919,533	1,966,285	1,976,012	(9,727)

The accompanying notes are an integral part of this statement.

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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, 2021**

	Original Budget	Final Budget	Actual	Variance
WASTEWATER COLLECTION				
Salaries and wages	367,619	386,177	386,177	-
Overtime	18,099	34,022	34,022	-
FICA	29,507	31,803	31,803	-
Unemployment taxes	693	34	34	-
Employer pension contribution	23,143	22,088	22,088	-
Health/life insurance	105,897	93,822	100,860	(7,038)
Workers' compensation	23,529	4,682	4,682	-
Engineering services	-	47,869	47,869	-
Travel and training	10,000	11,203	11,203	-
Telephone and fax	2,984	1,763	1,763	-
Electric	34,004	38,733	38,733	-
General liability insurance	29,101	20,985	20,985	-
Comprehensive auto insurance	6,269	4,963	4,963	-
Other insurance	2,057	2,129	2,129	-
Repairs and maintenance	86,856	196,405	147,575	48,830
Other contract services	9,744	7,497	7,497	-
Vehicle fuel	10,578	12,808	12,808	-
Vehicle maintenance	6,793	6,709	6,709	-
Vehicle Lease	15,432	804	804	-
Licenses and permits	500	103	103	-
Chemicals	13,458	20,095	20,095	-
Other materials	42,302	34,471	34,471	-
Tools	300	-	-	-
Uniforms/clothing allowance	1,500	1,726	1,726	-
Memberships/periodicals/books	1,735	1,366	1,366	-
SUB-TOTAL WASTEWATER COLLECTION	842,100	982,257	940,465	41,792

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, 2021**

	Original Budget	Final Budget	Actual	Variance
CUSTOMER SERVICE / ADMIN				
Salaries and wages	768,789	651,342	651,342	-
Overtime	6,919	473	473	-
FICA	59,342	49,306	49,306	-
Unemployment taxes	1,525	160	160	-
Employer pension contribution	46,542	34,948	34,948	-
Health/life insurance	207,621	158,785	172,326	(13,541)
Workers' compensation	3,878	570	570	-
Legal services	419,380	425,973	710,408	(284,435)
Other professional services	5,894	17,744	17,744	-
Accounting/auditing	55,923	58,850	58,850	-
Engineering services	399,000	266,059	266,059	-
Travel and training	34,000	25,254	25,254	-
Telephone and fax	6,100	4,737	4,737	-
Postage and freight	41,965	34,915	34,915	-
General liability insurance	7,278	4,478	4,478	-
Comprehensive auto insurance	758	620	620	-
Other insurance	54,007	40,008	40,008	-
Other contract services	35,979	126,590	126,590	-
Repairs and maintenance	45,621	14,200	14,200	-
Vehicle fuel	90	1,322	1,322	-
Vehicle maintenance	150	-	-	-
Vehicle Lease	4,116	260	260	-
Office supplies	17,880	9,439	9,439	-
Miscellaneous office expense	86,706	55,403	55,403	-
Miscellaneous bank fees	6,969	12,912	12,912	-
Miscellaneous expense	-	112,868	54,624	58,244
Advertising	13,440	8,120	8,120	-
Licenses and permits	259	200	200	-
Tools	300	-	-	-
Uniforms/clothing allowance	2,000	2,371	2,371	-
Memberships/periodicals/books	3,471	12,149	12,149	-
SUB-TOTAL CUSTOMER SERVICE / ADMIN	2,335,902	2,130,056	2,369,788	(239,732)

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, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
MAINTENANCE				
Salaries and wages	349,710	141,534	141,534	-
Overtime	1,749	73	73	-
FICA	26,886	10,667	10,667	-
Unemployment taxes	693	(24)	(24)	-
Employer pension contribution	21,088	16,495	16,495	-
Health/life insurance	113,909	98,189	117,139	(18,950)
Workers' compensation	27,277	4,105	4,105	-
Travel and training	10,000	7,993	7,993	-
Telephone and fax	2,353	1,602	1,602	-
General liability insurance	3,243	2,519	2,519	-
Comprehensive auto insurance	5,013	7,446	7,446	-
Repairs and maintenance	22,366	6,943	6,943	-
Other contract services	5,534	5,137	5,137	-
Vehicle fuel	8,413	9,476	9,477	(1)
Vehicle maintenance	19,776	9,539	9,539	-
Vehicle lease	15,744	623	623	-
Licenses and permits	5,237	-	-	-
Other materials	23,492	40,656	40,656	-
Tools	300	3,467	3,467	-
Uniforms/clothing allowance	1,500	1,267	1,267	-
Memberships/periodicals/books	1,736	1,580	1,580	-
SUB-TOTAL MAINTENANCE	<u>666,019</u>	<u>369,287</u>	<u>388,238</u>	<u>(18,951)</u>
DEPRECIATION				
Depreciation	<u>2,025,341</u>	<u>2,524,980</u>	<u>2,525,470</u>	<u>(490)</u>
SUB-TOTAL DEPRECIATION	<u>2,025,341</u>	<u>2,524,980</u>	<u>2,525,470</u>	<u>(490)</u>
TOTAL OPERATING EXPENSES	<u>10,403,402</u>	<u>10,212,234</u>	<u>10,441,391</u>	<u>(229,157)</u>
OPERATING PROFIT	<u>\$ 1,043,712</u>	<u>\$ 1,392,872</u>	<u>\$ 1,157,870</u>	<u>\$ (235,002)</u>

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, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING PROFIT,				
BROUGHT FORWARD	<u>\$ 1,043,712</u>	<u>\$ 1,392,872</u>	<u>\$ 1,157,870</u>	<u>\$ (235,002)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	151,893	53,725	59,327	5,602
Contributed capital - grant - FDEP/EPA	-	-	-	-
Contributed capital - grant - USDA/FHA	765,000	-	-	-
Contributed capital - customers	83,357	79,096	79,095	(1)
Contributed capital - developers	261,037	102,789	47,789	(55,000)
Contributed capital - Special assessments	-	78,284	-	(78,284)
Debt proceeds - Capital lease	-	-	-	-
Bond proceeds - USDA	944,000	-	-	-
Other non-operating revenue	44,785	34,631	35,182	551
Covid 19 expenses	-	(26,308)	(26,308)	-
Capital outlay	(2,384,465)	(3,174,318)	(2,784,744)	389,574
Principal retirement - bonds	(769,000)	(769,000)	(769,000)	-
Principal retirement - SRF	(36,866)	(36,866)	(37,180)	(314)
Principal retirement - capital lease	-	(43,861)	(43,861)	-
Net Assets - brought forward	9,863,098	12,994,264	-	(12,994,264)
Net Assets - carryforward	(8,952,085)	(9,722,897)	-	9,722,897
Maintenance reserve	-	-	-	-
Interest expense	(994,929)	(969,611)	(1,124,908)	(155,297)
Bad debt expense	(19,537)	-	-	-
Gain (Loss) on disposal of assets	-	7,200	7,200	-
NET NON-OPERATING REVENUES (EXPENSES)	<u>(1,043,712)</u>	<u>(1,392,872)</u>	<u>(4,557,408)</u>	<u>(3,164,536)</u>
NET PROFIT (LOSS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,399,538)</u>	<u>\$ (3,399,538)</u>

Reconciliation:

Net profit (loss) (Non-GAAP Budgetary Basis)	\$ (3,399,538)
Debt proceeds - BAN	-
Capital outlay	2,784,744
Principal retirement - bonds	769,000
Principal retirement - SRF	37,180
Principal retirement - Capital lease	<u>43,861</u>
Increase in Net Position (GAAP Basis)	235,247
Net position - beginning of the year	<u>42,074,709</u>
Net position - end of the year	<u><u>\$ 42,309,956</u></u>

The accompanying notes are an integral part of this statement.

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, 2021, 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, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Immokalee Water & Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Immokalee Water & Sewer District's internal control.

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

INTEGRITY SERVICE EXPERIENCE

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

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

We, however, noted certain other matters that we have reported in our Report to Management dated March 30, 2022.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Purpose of This Report

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

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

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
March 30, 2022

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, 2021. 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, 2021.

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

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
March 30, 2022

INTEGRITY SERVICE EXPERIENCE

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, 2021 and have issued our report thereon dated March 30, 2022.

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, 2022, 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.

INTEGRITY SERVICE EXPERIENCE

- 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. In connection with our audit, we determined that the District did not meet any of the criteria of a deteriorating financial condition as described in Auditor General Rule Section 10.554(1)(i)(5).a.
- 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.
- Pursuant to Section 10.554(1)(i)6, Rules of the Auditor General, requires disclosure of certain unaudited data. See Exhibit 2.
- Pursuant to Section 10.554(1)(i)7, Rules of the Auditor General, requires an independent special district that imposes ad valorem taxes to disclose certain related unaudited data. See Exhibit 2.

- Section 10.554(l)8, Rules of the Auditor General, requires an independent special district that imposes a non-ad valorem special assessment to disclose certain unaudited data. See Exhibit 2.
- 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 March 30, 2022, included herein.
- Section 10.557(3)(m), Rules of the Auditor General, requires a notarized affidavit, related to impact fees, signed and sworn to be the Chief Financial Officer be included in the audit report. No such affidavit is included as the District has not implemented any Impact Fees.

PRIOR YEAR COMMENTS:

2018-1 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. 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.

Fiscal year 2019 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.

Fiscal year 2020 addendum

During fiscal year ended September 30, 2020, the District continued to experience turnover in administrative staff. A new Executive Director was hired during the fiscal year ended September 30, 2020 and a Finance Director was hired subsequent to year end. Efforts are being focused to systematically review the accounting and operations of the

District to improve the closing and reconciling process however, significant audit adjustments were proposed due to the timing of the implementation.

Current year addendum

During the current year, the District appeared to adequately record and track construction project draws. The grant related construction projects are required to be initially self funded by the District and therefore, no federal grant funds were awarded or utilized during the current year. This comment appears to be resolved.

2020-1 Reconciliation of Account Balances Should Be Performed Routinely and Timely

During the audit, it was noted that the District was unable to provide an accounts payable listing and fixed asset reconciliation that agreed to the balances recorded at fiscal year-end.

We recommend that the accounting staff reconcile all account balances on a monthly basis, ensuring that all balance sheet accounts agree to subsidiary ledgers. These reconciliations should be performed on a monthly basis and any differences or discrepancies investigated and corrected.

Current year addendum

During the audit, we noted that the balance sheet accounts agreed to the subsidiary ledgers. However, there were several significant adjusting journal entries and summary of unadjusted differences. We continue to recommend that all balance sheet accounts and significant revenue and expense accounts be analyzed, reconciled and reviewed monthly.

2020-2 Recalculation of Billing Rates Should Be Performed

During the billing procedures performed, it was noted that eight (8) of the twenty-five (25) commercial accounts selected for testing contained an incorrect billing rate. The error was not discovered for several months as the District did not perform a recalculation of billings for all customer types to verify rates. Upon discovery, the error was corrected by the third party billing company. We recommend that the District recalculate and test billings for all customer types upon implementation of approved rate changes.

Current year addendum

During the billing procedures we tested twenty-five (25) accounts and found no exceptions. This comment appears to be resolved.

2020-3 SR 29 Special Assessment not Recorded

During the year ended September 30, 2019, the District levied special assessments on system users benefiting from system improvements on State Road (SR) 29. The assessment was initially levied through the Collier County Tax Collector on November 1, 2018. The original assessment was not recorded as a receivable by the District at the time. This resulted in the understatement of net position for the fiscal year ended September 30, 2019 and, consequently, a restatement of the ending net position was recorded for the fiscal year ended September 30, 2019 in the amount of \$496,731 during the year ended September 30, 2020.

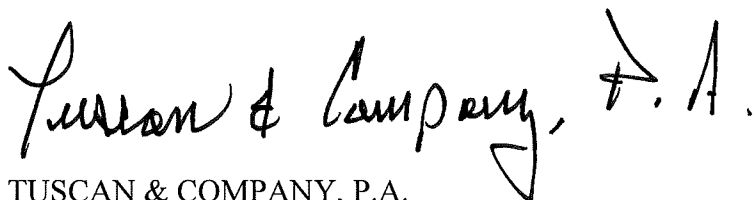
Current year addendum

During the current year audit, there were no restatements necessary. This comment appears to be resolved.

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." with a stylized flourish at the end.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

March 30, 2022

EXHIBIT 1

Immokalee Water & Sewer District

March 4, 2022

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, 2021 audit, performed by Tuscan & Company, P.A.; which was presented to and accepted by the Board on (Board Meeting Date).

PRIOR YEAR COMMENTS:

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

2020 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.

***2021 IWSD Response:** In 2020, the Immokalee Water & Sewer District established a new position, Finance Director, with the responsibility of leading the financial and accounting functions for the District. The accounting professional hired in January 2021 as the Finance Director is a Certified Public Accountant (CPA), licensed in the State of Florida, and is experienced in governmental accounting and auditing.*

The Finance Director prepared the Financial Statements for the Fiscal Year ending September 30, 2021. During the year end preparation all account balances, including the construction project and other payables, were verified and traced to supporting documentation. All differences were adjusted as needed in order to correct any errors in the Trial Balance.

The Board receives accurate financial reports during its monthly public meetings.

For the current FY 2021-22, the Finance Director trained department supervisors to prepare their annual budgets and is holding them accountable for their expenditures. The Finance Director is also implementing other training to ensure that the department supervisors and other staff involved with

spending District funds and/or financial transactions have the knowledge and expertise to perform such duties.

The District received a letter dated January 25, 2022 from The Florida Legislature Joint Legislative Auditing Committee regarding comment 2018-01 being reported in three successive audit reports. The letter required the District to provide a written explanation of the status of corrective action that has been taken. The letter along with the District's written explanation has been attached to this management comment letter. The response provide to the Joint Legislative Auditing Committee is the same response as provided above (*2021 IWSD Response*).

2020-1 Reconciliation of Account Balances Should Be Performed Routinely and Timely

During the audit, it was noted that the District was unable to provide an accounts payable listing and fixed asset reconciliation that agreed to the balances recorded at fiscal year-end.

We recommend that the accounting staff reconcile all account balances on a monthly basis, ensuring that all balance sheet accounts agree to subsidiary ledgers. These reconciliations should be performed on a monthly basis and any difference be investigated and corrected

2020 IWSD Response: The District is working to implement processes which will ensure balance sheet accounts agree to subsidiary ledgers.

2021 IWSD Response: *Procedures have been implemented to ensure all balance sheet accounts are reconciled to the subsidiary ledgers throughout the year.*

2020-2 Recalculation of Billing Rates Should be Performed

During the billing procedures performed, it was noted that eight (8) of the twenty-five (25) commercial accounts selected for testing contained an incorrect billing rate. The error was not discovered for several months as the District did not perform a recalculation of billings for all customer types to verify rates. Upon discovery, the error was corrected by the third-party billing company. We recommend that the District recalculate and test billings for al customer types upon implementation of approved rate changes.

2020 IWSD Response: The District is currently correcting commercial customer accounts for prior year incorrect billings. In the future, new billing rates will be tested prior to implementation.

2021 IWSD Response: *In January 2022, all overpayments were credit to customer accounts or refunded as needed. After the new bill rates for October 1, 2021 were input into the billing system, a sample from each type of account was tested to ensure rates were being correctly applied. Sampling and testing will be utilized for any new billing rates in the future.*

2020-3 SR 29 Special Assessment Not Recorded

During the year ending September 30, 2019, the District levied special assessments on system users benefiting from system improvements on State Road (SR) 29. The assessment was initially levied through the Collier County Tax Collector on November 1, 2018. The original assessment was not recorded as a receivable by the District at the time. This resulted in the understatement of net position for the fiscal year ending September 30, 2019, and consequently, a restatement of the ending net position was recorded for the fiscal year ending September 30, 2019 in the amount of \$496,731 during the year ending September 30, 2020.

2020 IWSD Response: SR 29 assessments will be recorded in the correct account.

2021 IWSD Response: *For the year ending September 30, 2021, SR 29 assessments received and the remaining receivables were reconciled to supporting documentation and the trial balance.*

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,



Sarah Catala, Executive Director



Brian Stewart, Finance Director

EXHIBIT 2

**UNAUDITED
COMPLIANCE WITH REPORTING REQUIRED BY:**

Auditor General Rule 10.554(1)(i)6

For a dependent special district or an independent special district, or a local government entity that includes the information of a dependent special district as provided in Section 218.39(3)(a), Florida Statutes, the following specific information provided by management (with explanatory verbiage that the auditor provides no assurance on the information):

- a. The total number of district employees compensated in the last pay period of the district's fiscal year being reported (see information required in Section 218.32(1)(e)2.a., Florida Statutes). 41
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year being reported (see information required in Section 218.32(1)(e)2.b., Florida Statutes). 11
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency (see information required in Section 218.32(1)(e)2.c., Florida Statutes). (Total wage compensation for the fiscal year being audited) \$2,696,277
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency (see information required in Section 218.32(1)(e)2.d., Florida Statutes). (Amounts paid that would be reported on a Form 1099 for FYE) \$432,207
- e. Each construction project with a total cost of at least \$65,000 approved by the district that was scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project (see information required in Section 218.32(1)(e)2.e., Florida Statutes). See Note P
- f. A budget variance report based on the budget adopted under section 189.016(4), Florida Statutes, before the beginning of the fiscal year reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes (see information required in Section 218.32(1)(e)3., Florida Statutes). If there were amendments then include budget variance (original budget vs. actual at FYE). See attached pages 3 - 8.

Auditor General Rule 10.554(1)(i)7

For an independent special district that imposes ad valorem taxes, the following specific information provided by management (with explanatory verbiage that the auditor provides no assurance on the information): (see information required in Section 218.32(1)(e)4., Florida Statutes).

- a. The millage rate or rates imposed by the district. N/A
- b. The current year gross amount of ad valorem taxes collected by or on behalf of the district. N/A
- c. The total amount of outstanding bonds issued by the district and terms of such bonds. See Note G

Auditor General Rule 10.554(1)(i)8

For an independent special district that imposes non-ad valorem special assessments, the following specific information provided by management (with explanatory verbiage that the auditor provides no assurance on the information): (see information required in Section 218.32(1)(e)5., Florida Statutes).

- a. The rate or rates of such assessment imposed by the district. Initially levied in a prior year and collected over 20 years.
SR 29 \$ 219
Arrowhead \$ 47
- b. The total amount of special assessments collected by or on behalf of the district.
SR 29 \$24,907 total for current year
Arrowhead \$53,377 total for current year
- c. The total amount of outstanding bonds issued by the district and the terms of such bonds. \$30,311,969

IMMOKALEE WATER & SEWER DISTRICT
ORIGINAL BUDGET (NON-GAAP) vs. ACTUAL WITH RECONCILIATION
TO GAAP BASIS COMPARISON REPORT - UNAUDITED -
Year ended September 30, 2020

	Original Budget	Actual	Variance
OPERATING REVENUES			
Water service	\$ 4,173,391	\$ 4,096,083	\$ (77,308)
Wastewater service	5,822,484	5,832,186	9,702
Meter service charge	816,968	826,307	9,339
Late fees	76,109	83,325	7,216
Reconnect and transfer fees	105,631	105,444	(187)
Miscellaneous charges, fees and other income	105,609	285,718	180,109
Cross connection control fee	346,922	370,198	23,276
TOTAL OPERATING REVENUES	11,447,114	11,599,261	152,147
OPERATING EXPENSES			
WATER PLANTS / DISTRIBUTION			
Salaries and wages	835,078	778,781	56,297
Overtime	52,299	16,910	35,389
FICA	67,884	59,838	8,046
Unemployment taxes	1,940	(9)	1,949
Employer pension contribution	53,243	41,429	11,814
Health/life insurance	269,477	211,972	57,505
Workers' compensation	51,468	13,301	38,167
Travel and training	28,000	24,850	3,150
Telephone and fax	6,940	6,516	424
Electric	182,656	159,317	23,339
General liability insurance	29,101	20,986	8,115
Comprehensive auto insurance	10,346	8,685	1,661
Other insurance	88,389	88,725	(336)
Repairs and maintenance	390,006	136,073	253,933
Other contract services	27,475	38,713	(11,238)
Vehicle fuel	26,075	31,488	(5,413)
Vehicle maintenance	16,647	6,762	9,885
Vehicle Lease	6,288	284	6,004
Licenses and permits	5,596	4,125	1,471
Chemicals	95,020	83,971	11,049
Other materials	334,019	480,893	(146,874)
Tools	300	4,058	(3,758)
Laboratory fees	27,201	17,235	9,966
Uniforms/clothing allowance	4,200	3,957	243
Memberships/periodicals/books	4,859	2,558	2,301
SUB-TOTAL WATER PLANTS/DISTRIBUTION	2,614,507	2,241,418	373,089

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
ORIGINAL BUDGET (NON-GAAP) vs. ACTUAL WITH RECONCILIATION
TO GAAP BASIS COMPARISON REPORT - UNAUDITED -
Year ended September 30, 2020

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	Original Budget	Actual	Variance
WASTEWATER PLANT			
Salaries and wages	568,422	669,233	(100,811)
Overtime	18,189	17,732	457
FICA	44,876	51,819	(6,943)
Unemployment taxes	1,386	96	1,290
Employer pension contribution	35,197	33,689	1,508
Health/life insurance	159,610	148,539	11,071
Workers' compensation	21,118	7,377	13,741
Engineering services	-	36,442	(36,442)
Travel and training	18,000	13,147	4,853
Telephone and fax	3,403	497	2,906
Electric	220,470	200,466	20,004
Section 8 electric	5,000	3,870	1,130
General liability insurance	29,101	20,986	8,115
Comprehensive auto insurance	4,702	3,722	980
Other insurance	84,766	83,205	1,561
Section 8 field maintenance	492	-	492
Repairs and maintenance	226,222	179,445	46,777
Section 8 repairs	19,790	470	19,320
Other contract services	14,938	94,149	(79,211)
Vehicle fuel	12,506	8,880	3,626
Vehicle maintenance	4,401	418	3,983
Vehicle Lease	4,630	260	4,370
Licenses and permits	4,290	5,328	(1,038)
Chemicals	108,097	90,111	17,986
Other materials	54,898	31,855	23,043
Tools	300	220	80
Laboratory fees	46,966	78,134	(31,168)
Residuals management	201,639	192,709	8,930
Uniforms/clothing allowance	3,000	1,653	1,347
Memberships/periodicals/books	3,124	1,560	1,564
SUB-TOTAL WASTEWATER PLANT	<u>1,919,533</u>	<u>1,976,012</u>	<u>(56,479)</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT
ORIGINAL BUDGET (NON-GAAP) vs. ACTUAL WITH RECONCILIATION
TO GAAP BASIS COMPARISON REPORT - UNAUDITED -
Year ended September 30, 2020

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	Original Budget	Actual	Variance
WASTEWATER COLLECTION			
Salaries and wages	367,619	386,177	(18,558)
Overtime	18,099	34,022	(15,923)
FICA	29,507	31,803	(2,296)
Unemployment taxes	693	34	659
Employer pension contribution	23,143	22,088	1,055
Health/life insurance	105,897	100,860	5,037
Workers' compensation	23,529	4,682	18,847
Engineering services	-	47,869	(47,869)
Travel and training	10,000	11,203	(1,203)
Telephone and fax	2,984	1,763	1,221
Electric	34,004	38,733	(4,729)
General liability insurance	29,101	20,985	8,116
Comprehensive auto insurance	6,269	4,963	1,306
Other insurance	2,057	2,129	(72)
Repairs and maintenance	86,856	147,575	(60,719)
Other contract services	9,744	7,497	2,247
Vehicle fuel	10,578	12,808	(2,230)
Vehicle maintenance	6,793	6,709	84
Vehicle Lease	15,432	804	14,628
Licenses and permits	500	103	397
Chemicals	13,458	20,095	(6,637)
Other materials	42,302	34,471	7,831
Tools	300	-	300
Uniforms/clothing allowance	1,500	1,726	(226)
Memberships/periodicals/books	1,735	1,366	369
SUB-TOTAL WASTEWATER COLLECTION	842,100	940,465	(98,365)

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT

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**ORIGINAL BUDGET (NON-GAAP) vs. ACTUAL WITH RECONCILIATION
TO GAAP BASIS COMPARISON REPORT - UNAUDITED -****Year ended September 30, 2020**

	Original Budget	Actual	Variance
CUSTOMER SERVICE / ADMIN			
Salaries and wages	768,789	651,342	117,447
Overtime	6,919	473	6,446
FICA	59,342	49,306	10,036
Unemployment taxes	1,525	160	1,365
Employer pension contribution	46,542	34,948	11,594
Health/life insurance	207,621	172,326	35,295
Workers' compensation	3,878	570	3,308
Legal services	419,380	710,408	(291,028)
Other professional services	5,894	17,744	(11,850)
Accounting/auditing	55,923	58,850	(2,927)
Engineering services	399,000	266,059	132,941
Travel and training	34,000	25,254	8,746
Telephone and fax	6,100	4,737	1,363
Postage and freight	41,965	34,915	7,050
General liability insurance	7,278	4,478	2,800
Comprehensive auto insurance	758	620	138
Other insurance	54,007	40,008	13,999
Other contract services	35,979	126,590	(90,611)
Repairs and maintenance	45,621	14,200	31,421
Vehicle fuel	90	1,322	(1,232)
Vehicle maintenance	150	-	150
Vehicle Lease	4,116	260	3,856
Office supplies	17,880	9,439	8,441
Miscellaneous office expense	86,706	55,403	31,303
Miscellaneous bank fees	6,969	12,912	(5,943)
Miscellaneous expense	-	54,624	(54,624)
Advertising	13,440	8,120	5,320
Licenses and permits	259	200	59
Tools	300	-	300
Uniforms/clothing allowance	2,000	2,371	(371)
Memberships/periodicals/books	3,471	12,149	(8,678)
SUB-TOTAL CUSTOMER SERVICE / ADMIN	<u>2,335,902</u>	<u>2,369,788</u>	<u>(33,886)</u>

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT

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**ORIGINAL BUDGET (NON-GAAP) vs. ACTUAL WITH RECONCILIATION
TO GAAP BASIS COMPARISON REPORT - UNAUDITED -****Year ended September 30, 2020**

	Original Budget	Actual	Variance
MAINTENANCE			
Salaries and wages	349,710	141,534	208,176
Overtime	1,749	73	1,676
FICA	26,886	10,667	16,219
Unemployment taxes	693	(24)	717
Employer pension contribution	21,088	16,495	4,593
Health/life insurance	113,909	117,139	(3,230)
Workers' compensation	27,277	4,105	23,172
Travel and training	10,000	7,993	2,007
Telephone and fax	2,353	1,602	751
General liability insurance	3,243	2,519	724
Comprehensive auto insurance	5,013	7,446	(2,433)
Repairs and maintenance	22,366	6,943	15,423
Other contract services	5,534	5,137	397
Vehicle fuel	8,413	9,477	(1,064)
Vehicle maintenance	19,776	9,539	10,237
Vehicle lease	15,744	623	15,121
Licenses and permits	5,237	-	5,237
Other materials	23,492	40,656	(17,164)
Tools	300	3,467	(3,167)
Uniforms/clothing allowance	1,500	1,267	233
Memberships/periodicals/books	1,736	1,580	156
SUB-TOTAL MAINTENANCE	666,019	388,238	277,781
DEPRECIATION			
Depreciation	2,025,341	2,525,470	(500,129)
SUB-TOTAL DEPRECIATION	2,025,341	2,525,470	(500,129)
TOTAL OPERATING EXPENSES	10,403,402	10,441,391	(37,989)
OPERATING PROFIT	\$ 1,043,712	\$ 1,157,870	\$ 114,158

The accompanying notes are an integral part of this statement.

IMMOKALEE WATER & SEWER DISTRICT

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**ORIGINAL BUDGET (NON-GAAP) vs. ACTUAL WITH RECONCILIATION
TO GAAP BASIS COMPARISON REPORT - UNAUDITED -**
Year ended September 30, 2020

	Original Budget	Actual	Variance
OPERATING PROFIT,			
BROUGHT FORWARD	<u>\$ 1,043,712</u>	<u>\$ 1,157,870</u>	<u>\$ 114,158</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	151,893	59,327	(92,566)
Contributed capital - grant - FDEP/EPA	-	-	-
Contributed capital - grant - USDA/FHA	765,000	-	(765,000)
Contributed capital - customers	83,357	79,095	(4,262)
Contributed capital - developers	261,037	47,789	(213,248)
Debt proceeds - Capital lease	-	-	-
Bond proceeds - USDA	944,000	-	(944,000)
Other non-operating revenue	44,785	35,182	(9,603)
Covid 19 expenses	-	(26,308)	(26,308)
Capital outlay	(2,384,465)	(2,784,744)	(400,279)
Principal retirement - bonds	(769,000)	(769,000)	-
Principal retirement - SRF	(36,866)	(37,180)	(314)
Principal retirement - capital lease	-	(43,861)	(43,861)
Net Assets - brought forward	9,863,098	-	(9,863,098)
Net Assets - carryforward	(8,952,085)	-	8,952,085
Maintenance reserve	-	-	-
Interest expense	(994,929)	(1,124,908)	(129,979)
Bad debt expense	(19,537)	-	19,537
Gain (Loss) on disposal of assets	-	7,200	7,200
NET NON-OPERATING REVENUES (EXPENSES)	<u>(1,043,712)</u>	<u>(4,557,408)</u>	<u>(3,513,696)</u>
NET PROFIT (LOSS)	<u>\$ -</u>	<u>\$ (3,399,538)</u>	<u>\$ (3,399,538)</u>

Reconciliation:

Net profit (loss) (Non-GAAP Budgetary Basis)	\$ (3,399,538)
Debt proceeds - BAN	-
Capital outlay	2,784,744
Principal retirement - bonds	769,000
Principal retirement - SRF	37,180
Principal retirement - Capital lease	<u>43,861</u>
Increase in Net Position (GAAP Basis)	235,247
Net position - beginning of the year	<u>42,074,709</u>
Net position - end of the year	<u>\$ 42,309,956</u>

The accompanying notes are an integral part of this statement.