

GASPARILLA ISLAND WATER ASSOCIATION, INC.
FINANCIAL STATEMENTS FOR THE
YEARS ENDED SEPTEMBER 30, 2019 AND 2018
AND
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gasparilla Island Water Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Gasparilla Island Water Association, Inc., which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of revenue and expenses, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

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. 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, 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gasparilla Island Water Association, Inc. as of September 30, 2019 and 2018, and the changes in its equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Suplee Shea Cramer & Rocklein, P.A.

SUPLEE, SHEA, CRAMER, & ROCKLEIN, P.A.

Sarasota, FL

January 15, 2020

GASPARILLA ISLAND WATER ASSOCIATION, INC.

BALANCE SHEETS

SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
UTILITY PLANT		
Property, plant and equipment, at cost	\$ 34,606,705	\$ 32,509,027
Less accumulated depreciation	18,338,480	17,243,308
Net property, plant and equipment	<u>16,268,225</u>	<u>15,265,719</u>
Construction in progress	<u>2,582,184</u>	<u>1,610,224</u>
 Total Utility Plant	 <u>18,850,409</u>	 <u>16,875,943</u>
CURRENT ASSETS		
Cash and cash equivalents	1,474,120	2,011,065
Accounts receivable, members	477,770	393,697
Inventory	100,008	114,857
Other current assets	<u>358,085</u>	<u>362,602</u>
 Total Current Assets	 <u>2,409,983</u>	 <u>2,882,221</u>
RESTRICTED ASSETS, cash and cash equivalents	<u>1,079,153</u>	<u>138,152</u>
DEFERRED CHARGES AND OTHER ASSETS		
Non-marketable participation certificates	372,260	408,179
Unamortized regulatory expenses	142,838	91,975
Utility deposits	<u>2,438</u>	<u>2,618</u>
 Total Deferred Charges and Other Assets	 <u>517,536</u>	 <u>502,772</u>
 TOTAL ASSETS	 <u><u>\$ 22,857,081</u></u>	 <u><u>\$ 20,399,088</u></u>

GASPARILLA ISLAND WATER ASSOCIATION, INC.

BALANCE SHEETS (continued)

SEPTEMBER 30, 2019 AND 2018

Equity and Liabilities

	<u>2019</u>	<u>2018</u>
EQUITY		
Members' contributions	\$ 5,843,929	\$ 5,785,321
Developers' contributions	952,810	1,010,841
Retained earnings:		
Board designated for capital improvements	<u>7,279,528</u>	<u>6,360,649</u>
Total Equity	<u>14,076,267</u>	<u>13,156,811</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	7,858,935	5,886,572
Less: unamortized debt issuance costs	<u>(170,524)</u>	<u>(184,790)</u>
Net notes payable	7,688,411	5,701,782
CURRENT LIABILITIES		
Current portion of notes payable	681,883	864,208
Accounts payable, trade	171,707	202,379
Accounts payable, construction in progress	121,812	361,830
Accrued interest	27,037	22,363
Accrued wages	12,260	12,437
Other current liabilities	<u>-</u>	<u>75</u>
Total Current Liabilities	<u>1,014,699</u>	<u>1,463,292</u>
Deposits payable from restricted assets	<u>77,704</u>	<u>77,203</u>
Total Liabilities	<u>8,780,814</u>	<u>7,242,277</u>
TOTAL EQUITY AND LIABILITIES	<u><u>\$ 22,857,081</u></u>	<u><u>\$ 20,399,088</u></u>

The accompanying notes are an integral part of these financial statements.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Water services	\$ 3,663,927	\$ 3,325,224
Sewer services	1,770,377	1,605,608
Water hook-up fees	4,000	1,700
Sewer hook-up fees	<u>2,040</u>	<u>1,700</u>
Total Operating Revenues	<u>5,440,344</u>	<u>4,934,232</u>
OPERATING EXPENSES		
Water system	1,346,541	1,146,743
Sewer system	1,026,705	945,041
General and administrative	956,148	838,962
Depreciation	<u>1,086,448</u>	<u>771,526</u>
Total Operating Expenses	<u>4,415,842</u>	<u>3,702,272</u>
Operating Income	<u>1,024,502</u>	<u>1,231,960</u>
OTHER REVENUES (EXPENSES)		
Interest income	26,162	6,959
Patronage dividends	17,924	31,836
Capital improvement assessment	6,136	7,040
Interest expense and amortization of debt expenses	(188,746)	(203,805)
Membership fees	420	300
Gain (loss) on disposal of assets	18,983	(51,735)
Other income	<u>13,498</u>	<u>9,144</u>
Total Other Revenues (Expenses)	<u>(105,623)</u>	<u>(200,261)</u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>\$ 918,879</u></u>	<u><u>\$ 1,031,699</u></u>

The accompanying notes are an integral part of these financial statements.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>Contributed Capital in Aid of Construction</u>			Total
	Members' Contributions	Developers' Contributions	Retained Earnings	
Balance, September 30, 2017	\$ 5,751,266	\$ 1,072,241	\$ 5,328,950	\$ 12,152,457
Contributions received	34,055	-	-	34,055
Amortization of developers' contributions	-	(61,400)	-	(61,400)
Excess of Revenues over Expenses	-	-	1,031,699	1,031,699
Balance, September 30, 2018	\$ 5,785,321	\$ 1,010,841	\$ 6,360,649	\$ 13,156,811
Contributions received	58,608	-	-	58,608
Amortization of developers' contributions	-	(58,031)	-	(58,031)
Excess of Revenues over Expenses	-	-	918,879	918,879
Balance, September 30, 2019	<u>\$ 5,843,929</u>	<u>\$ 952,810</u>	<u>\$ 7,279,528</u>	<u>\$ 14,076,267</u>

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 918,879	\$ 1,031,699
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	1,086,448	771,526
Amortization	61,754	58,646
(Gain) loss on disposal of assets	(18,983)	51,735
Patronage equity distributions	(7,169)	(7,066)
Changes in assets and liabilities		
(Increase) decrease in accounts receivable, members	(84,073)	(74,139)
(Increase) decrease in inventory	14,849	24,209
Increase in other current assets	4,517	(211,231)
Increase in unamortized regulatory expenses	(98,350)	(3,109)
(Increase) decrease in utility deposits	180	299
Increase (decrease) in accounts payable, trade	(30,672)	124,719
Increase (decrease) in other liabilities	4,422	13,514
Increase in deposits payable from restricted assets	501	463
Total adjustments	933,424	749,566
Net cash provided by operating activities	1,852,303	1,781,265
Cash flows from investing activities:		
Patronage equity retirement payment	43,088	39,290
Proceeds from the disposition of assets	60,000	-
Capital expenditures	(3,399,981)	(1,772,883)
Net cash used by investing activities	\$ (3,296,893)	\$ (1,733,593)

The accompanying notes are an integral part of these financial statements.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS (continued)

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities:		
Repayment of long-term debt	\$ (810,612)	\$ (622,099)
Proceeds from financing	2,600,650	586,049
Contributed capital in aid of construction	<u>58,608</u>	<u>34,055</u>
Net cash provided (used) by financing activities	<u>1,848,646</u>	<u>(1,995)</u>
Increase in cash and cash equivalents	404,056	45,677
Cash transferred to restricted funds	<u>(941,001)</u>	<u>(7,670)</u>
Net increase (decrease) in cash and cash equivalents	(536,945)	38,007
Cash and cash equivalents at beginning of year	<u>2,011,065</u>	<u>1,973,058</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,474,120</u></u>	<u><u>\$ 2,011,065</u></u>

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 1 - Organization and Significant Accounting Policies

Organization

The Association was incorporated under the laws of the State of Florida on September 12, 1966, as a corporation not for profit. The purpose of the Association is to provide water and sewer services to its subscribers (members) in the areas of Gasparilla Island.

Significant Accounting Policies

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Accounts Receivable

Management has determined the amount of uncollectible accounts to be de minimis; therefore, no provision has been made for uncollectible accounts as of September 30, 2019 and 2018. An account is considered past due ten days after the due date. Past due accounts are charged interest at 18% per annum.

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or net realizable value. Inventory consists of supplies and materials to maintain the Association's equipment.

Income Taxes

No provision has been made for income taxes. The Association is a tax-exempt organization under IRC Section 501(c)(12), whereby only unrelated business income is subject to income tax. For the fiscal years ended September 30, 2019 and 2018, the Association's entire gross income has come under Section 115(a) and, therefore, includes no unrelated business income.

ASC Topic 740 requires the Organization to recognize in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on technical merits of the position. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2019 and 2018.

The Association files a U.S. Federal information return of an organization exempt from income tax (Form 990). The Federal returns for the tax years 2016 through 2018 remain subject to examination by the Internal Revenue Service.

Utility Plant

Utility plant is recorded at cost at the time of acquisition or commencement of service for assets transferred from construction in progress. Maintenance and repairs, which significantly extend the life or enhance the value of an asset, are capitalized. Depreciation of the utility plant is computed on the straight-line basis over the estimated useful lives of the related assets.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 1 - Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Revenue Recognition

Revenue is recognized when billed. Rates for water are based on a minimum fee plus a consumption charge. Sewer rates are based on a fixed charge plus a factor of water usage.

Deferred Charges

Costs associated with procuring loans and certain regulatory expenses are recorded as deferred charges when incurred and are amortized over the life of the related loan or regulatory permits.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Note 2 - Utility Plant

Details of the utility plant at September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 459,174	\$ 495,774
Utility plant in service	33,351,040	31,316,890
Automotive equipment	439,268	350,341
Office building	92,073	92,073
Office furniture and fixtures	77,087	76,363
Tools	<u>188,063</u>	<u>177,586</u>
	34,606,705	32,509,027
Less accumulated depreciation	<u>18,338,480</u>	<u>17,243,308</u>
	16,268,225	15,265,719
Construction in progress	<u>2,582,184</u>	<u>1,610,224</u>
	<u>\$ 18,850,409</u>	<u>\$ 16,875,943</u>

Depreciation expense for the years ended September 30, 2019 and 2018 was \$1,086,448 and \$771,526, respectively.

Note 3 - Capitalization of Interest

The Association follows the policy of capitalizing interest as a component of the cost of the utility plant constructed for its own use. Total interest incurred was \$174,479 for 2019 and \$193,804 for 2018, of which \$56,504 and \$10,305 was capitalized in 2019 and 2018, respectively.

The capitalization rate is based on the rate paid on the Association's long-term debt.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 4 – Unamortized Regulatory Expenses

The Organization is required to carry certain regulatory permits that are amortized over the life of the permit. The Organization’s unamortized regulatory expenses for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Unamortized regulatory expenses	\$ 269,451	\$ 263,205
Less: accumulated amortization	<u>126,613</u>	<u>171,230</u>
	<u>\$ 142,838</u>	<u>\$ 91,975</u>

Expected amortization expense for each of the five succeeding years are as follows:

2020	\$ 47,530
2021	31,792
2022	25,090
2023	20,590
2024	<u>17,836</u>
	<u>\$ 142,838</u>

Note 5 - Restricted Assets

Details of restricted cash and equivalents as of September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Customer deposits	\$ 77,704	\$ 77,203
Debt service reserve	1,001,449	-
Capital improvement assessment	<u>-</u>	<u>60,949</u>
	<u>\$ 1,079,153</u>	<u>\$ 138,152</u>

Note 6 - Long-Term Debt

Following is a summary of long-term debt at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mortgage note payable to CoBank, ACB, in the original aggregate principal amount of \$6,166,000. Interest payable monthly under fixed rate option, currently ranging from 7.09% to 7.92%. Principal repayable in 288 consecutive monthly installments beginning July 20, 1995 and ending June 20, 2019. Secured by all accounts, inventory, equipment, land, buildings and improvements, structures, and income.	\$ -	\$ 203,581

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 6 - Long-Term Debt (continued)

<p>Mortgage note payable to CoBank, ACB, in the original principal amount of \$2,200,000. Interest payable monthly under fixed rate option, currently 7.11%. Principal repayable in 240 consecutive monthly installments beginning January 20, 2002 and ending December 20, 2021. Secured by all accounts, inventory, equipment, land, buildings and improvements, structures, and income.</p>	427,317	595,651
<p>Mortgage note payable to CoBank, ACB, in the original principal amount of \$1,500,000. Interest payable monthly under a fixed rate option, currently 6.99%. Principal repayable in 228 consecutive monthly installments beginning January 20, 2005 and ending December 20, 2023. Secured by all accounts, inventory, equipment, land, buildings and improvements, structures, and income.</p>	440,335	533,527
<p>Mortgage note payable to CoBank, ACB, in the original principal amount of \$1,500,000. As of September 2010, interest is payable monthly at a fixed rate of 4.62%. Principal repayable in 186 consecutive monthly installments beginning June 20, 2009 and ending November 20, 2024. Secured by all accounts, inventory, equipment, land, buildings and improvements, structures, and income.</p>	632,939	737,693
<p>Promissory note payable to Florida Department of Environmental Protection in an aggregate principal amount not to exceed \$5,225,021. Promissory note transitioned into a mortgage note payable on August 1, 2017. Interest payable semiannually at a fixed rate of 1.16%. Principal repayable in 40 consecutive semiannual installments beginning July 15, 2018. Secured by all accounts, inventory, equipment, land, buildings and improvements, structures, and income.</p>	4,439,577	4,680,328
<p>Multiple advance term promissory note payable to CoBank, ACB, in an aggregate principal amount not to exceed \$16,000,000 to finance system capital expenditures and related closing costs available to August 31, 2022. Interest payable monthly at a variable rate during the initial draw period, currently 4.02%. Principal and interest payable in 300 consecutive monthly installments beginning September 20, 2022 at a fixed rate determined after the final draw. Secured by all accounts, inventory, land, buildings and improvements, structures, income and a financial interest in a debt service reserve amounting to \$1,001,449 as of September 30, 2019.</p>	<u>2,600,650</u>	<u>-</u>

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 6 - Long-Term Debt (continued)

Total long-term debt	8,540,818	6,750,780
Less current maturities	(681,883)	(864,208)
Less unamortized debt expense	<u>(170,524)</u>	<u>(184,790)</u>
	<u>\$ 7,688,411</u>	<u>\$ 5,701,782</u>

Maturities of long-term debt for each of the five succeeding years are as follows:

2020	\$ 681,883	
2021	704,582	
2022	583,077	
2023	635,601	
2024	560,833	
Thereafter	<u>5,374,842</u>	
	<u>\$ 8,540,818</u>	

Debt issuance costs associated with the Organization's notes payable are being amortized over the notes expected life. The Organization's unamortized debt issuance costs for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Loan Costs	\$ 265,873	\$ 265,873
Less: accumulated amortization	<u>95,349</u>	<u>81,083</u>
	<u>\$ 170,524</u>	<u>\$ 184,790</u>

Expected amortization expense for each of the five succeeding years are as follows:

2019	\$ 13,472	
2020	11,421	
2021	11,421	
2022	11,421	
2023	11,421	
Thereafter	<u>111,368</u>	
	<u>\$ 170,524</u>	

Line of Credit

The Association has an agreement with CoBank, ACB for an unsecured line of credit in the amount of \$363,750. As of September 30, 2019 and 2018, there was \$-0- drawn on this line.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 6 - Long-Term Debt (continued)

Loan Covenants

The terms of the Organization's financing agreements contain certain covenants, the most restrictive of which is the maintenance of certain financial ratios. The Organization was in compliance with these covenants for the fiscal years ended September 30, 2019 and 2018.

Note 7 - Contributions in Aid of Construction

Monies received as connection fees for hooking up to the Association's system obligate the Association to provide services; however, the Association is under no obligation to refund or return any part of these monies. For the years ended September 30, 2019 and 2018, a portion of this fee was recognized as income to offset the expenses involved with this connection. The remaining monies are recorded as contributed capital in aid of construction. Total connection fees recognized as income for the years ended September 30, 2019 and 2018 were \$6,040 and \$3,400, respectively. System facilities constructed by land developers, which are contributed to the Association, are recorded at an amount equal to the construction cost incurred by the developer. The cost of these contributions is recorded as property and plant with an equal and corresponding credit to contributed capital in aid of construction. These contributions are being amortized on a straight-line basis over their estimated useful lives. This amortization is being charged to the related equity account and amounted to \$58,031 and \$61,400 for the years ended September 30, 2019 and 2018, respectively.

Note 8 - Pension Plan

The Association sponsors a 401(k)-pension plan for the benefit of its employees. The Association's contribution may be 0% to 15% of the compensation of each participant. Contributions to the plan were \$91,068 and \$91,581 for the year ended September 30, 2019 and 2018, respectively.

Note 9 - Statement of Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. However, restricted assets will not be considered highly liquid debt instruments for these purposes.

The Association paid cash for interest in the amount of \$174,479 and \$193,804 for the years ended September 30, 2019 and 2018, respectively.

The Association received Class B - Participation Certificates from CoBank as a patronage equity distribution in the amount of \$7,169 and \$7,066 for the years ended September 30, 2019 and 2018, respectively.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 10 - Concentrations of Credit Risk

The Association has a portion of cash deposits invested in CoBank's overnight cash investment service account. Cash deposits in the account are not secured or insured by the FDIC; however, CoBank is a member of the Farm Credit system and is backed by an implied guarantee of the U.S. Government. The Association's balance in this account was \$- and \$155,468 as of September 30, 2019 and 2018, respectively.

The Association maintains its cash accounts at commercial banks. Such amounts on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Association had \$656,990 and \$934,834 on deposit at commercial banks exceeding the portion insured by the FDIC as of September 30, 2019 and 2018, respectively.

Note 11 - Non-marketable Participation Certificates

The Association receives patronage distributions from CoBank. A portion of the distributions are made in cash and the remainder of the distributions is made in Class B Participation Certificates in CoBank. The certificates are issued at par value and are not marketable.

They are redeemable by CoBank when the Association reaches certain debt levels. The balances of the certificates were \$372,260 and \$408,179 as of September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, \$43,088 and \$39,290 of Class B Participation Certificates have been redeemed, respectively.

Note 12 – Capital Improvement Assessment

The Association relocated water and sewer mains on three bridges due to new bridge construction of the Gasparilla Island Causeway bridges. In order to help pay for the cost of relocating the water and sewer mains, the Association membership approved a monthly assessment of \$12 for each account for a period of five years, totaling \$720 per member. The Association began charging the assessment in April 2011. In June 2012, the membership approved an increase in the assessment to \$20 a month for each account for a total of \$1,096. As of March 31, 2015 the majority of the Association members, those connected as of April 2011, have completed the assessment requirements. Members connected after that date will continue paying the assessment until the requirements are met. The total amount of assessment revenue for 2019 and 2018 was \$6,136 and \$7,040, respectively. As of September 30, 2019 the project was completed and remaining and future funds generated will be repurposed for expenditure through the Wastewater Treatment Plant project per board approval.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 13 – Commitments

The Association has a letter of credit from CoBank, dated June 22, 2009 in the amount of \$136,250, to provide funding for plugging and abandonment and/or post-closure monitoring of the Association's injection wells if such need arises. The letter of credit expired January 31, 2019, but is automatically extended for successive periods of one year, unless the Association is notified in advance by CoBank that the letter of credit will not be extended. As of September 30, 2019 and 2018, there was \$-0- drawn on this line.

The Association has certain contract commitments related to water and sewer system improvements outstanding as of September 30, 2019. The remaining commitment on those contracts is approximately \$609,306 as of September 30, 2019.

Note 14 – Subsequent Events

Subsequent events were evaluated through January 15, 2020, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

GASPARILLA ISLAND WATER ASSOCIATION, INC.

WATER AND SEWER SYSTEM OPERATING EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Water System Operating Expenses</u>		
Purchased water	\$ 8,890	\$ 1,932
Operations and maintenance	363,210	202,984
Regulatory expenses - permits	15,382	17,602
Electricity	257,804	263,648
Chemicals	97,315	102,066
Lab fees	18,578	19,299
Salaries and payroll taxes	438,817	407,220
Pensions and employee benefits	142,344	130,565
Training	4,201	1,427
	<u>\$ 1,346,541</u>	<u>\$ 1,146,743</u>
<u>Sewer System Operating Expenses</u>		
Operations and maintenance	\$ 364,313	\$ 226,493
Regulatory expenses - permits	24,221	23,490
Electricity	64,201	58,464
Chemicals	92,202	144,918
Lab fees	36,321	36,433
Salaries and payroll taxes	344,149	362,468
Pensions and employee benefits	100,586	90,611
Training	712	2,164
	<u>\$ 1,026,705</u>	<u>\$ 945,041</u>

GASPARILLA ISLAND WATER ASSOCIATION, INC.

GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>General and Administrative Expenses</u>		
Auto and truck expenses	\$ 77,946	\$ 45,749
General repairs and maintenance	73,981	58,537
Deferred rate study costs	7,884	7,884
Insurance	332,057	290,239
Miscellaneous	13,572	22,529
Office supplies and postage	25,224	21,625
Professional fees - accounting	18,844	18,555
Professional fees - engineering	33,674	10,758
Professional fees - legal	1,781	999
Salaries and payroll taxes, office	268,573	268,918
Pensions and employee benefits, office	70,737	62,646
Communications	31,820	30,523
Training	55	-
	<hr/>	<hr/>
Total General and Administrative Expenses	<u>\$ 956,148</u>	<u>\$ 838,962</u>