GASPARILLA ISLAND WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS FOR THE

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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, 2017 and 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2017 and 2016, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2018, on our consideration of Gasparilla Island Water Association, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gasparilla Island Water Association, Inc.'s internal control over financial reporting and compliance.

Suplee Shea Cramer & Rocklein PA

SUPLEE, SHEA, CRAMER, & ROCKLEIN, P.A.
Sarasota, FL
January 15, 2018

GASPARILLA ISLAND WATER ASSOCIATION, INC.

BALANCE SHEETS

SEPTEMBER 30, 2017 AND 2016

Assets

	2017	2016
UTILITY PLANT		
Property, plant and equipment, at cost	$ 27,854,939	$ 27,393,576
Less accumulated depreciation	16,922,658	16,304,567
Net property, plant and equipment	10,932,281	11,089,009
Construction in progress	4,919,636	1,683,695
Total Utility Plant	15,851,917	12,772,704
CURRENT ASSETS		
Cash and cash equivalents	1,973,058	1,580,374
Accounts receivable, members	319,558	328,264
Inventory	139,066	61,606
Other current assets	151,371	19,119
Total Current Assets	2,583,053	1,989,363
RESTRICTED ASSETS, cash and cash equivalents	130,482	122,581
DEFERRED CHARGES AND OTHER ASSETS		
Non-marketable participation certificates	440,403	466,446
Unamortized regulatory expenses	137,843	160,326
Utility deposits	2,917	132
Total Deferred Charges and Other Assets	581,163	626,904
TOTAL ASSETS	$ 19,146,615	$ 15,511,552

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

GASPARILLA ISLAND WATER ASSOCIATION, INC.

BALANCE SHEETS (continued)

SEPTEMBER 30, 2017 AND 2016

Equity and Liabilities

	2017	2016
EQUITY		
Members' contributions	$ 5,751,266	$ 5,674,565
Developers' contributions	1,072,241	815,815
Retained earnings:		
Board designated for capital improvements	5,328,950	4,698,192
Total Equity	12,152,457	11,188,572
LONG-TERM LIABILITIES		
Notes payable, net of current portion	6,034,264	3,194,112
Less: unamortized debt issuance costs	(194,460)	(100,564)
Net notes payable	5,839,804	3,093,548
CURRENT LIABILITIES		
Current portion of notes payable	752,565	580,802
Accounts payable, trade	77,660	191,947
Accounts payable, construction in progress	226,028	355,865
Accrued interest	14,331	17,626
Accrued wages	6,964	6,771
Other current liabilities	66	492
Total Current Liabilities	1,077,614	1,153,503
Deposits payable from restricted assets	76,740	75,929
Total Liabilities	6,994,158	4,322,980
TOTAL EQUITY AND LIABILITIES	$ 19,146,615	$ 15,511,552

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, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Water services	$ 2,976,994	$ 2,599,775
Sewer services	1,424,078	1,349,990
Water hook-up fees	4,940	4,310
Sewer hook-up fees	2,040	2,380
Total Operating Revenues	4,408,052	3,956,455
OPERATING EXPENSES		
Water system	1,286,837	1,141,000
Sewer system	911,567	1,023,530
General and administrative	755,179	743,836
Depreciation	683,081	658,594
Total Operating Expenses	3,636,664	3,566,960
Operating Income	771,388	389,495
OTHER REVENUES (EXPENSES)		
Interest income	1,981	2,258
Patronage dividends	34,053	39,549
Capital improvement assessment	7,164	6,616
Interest expense and amortization of debt expenses	(201,540)	(247,710)
Membership fees	480	420
Loss on disposal of assets	(5,689)	(17,811)
Other income	22,921	25,590
Total Other Revenues (Expenses)	(140,630)	(191,088)
EXCESS OF REVENUES OVER EXPENSES	$ 630,758	$ 198,407

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, 2017 AND 2016

	Contributed Capital in Aid of Construction			
	Members' Contributions	Developers' Contributions	Retained Earnings	Total
Balance, September 30, 2015	$ 5,617,879	$ 873,242	$ 4,499,785	$ 10,990,906
Contributions received	56,686	-	-	56,686
Amortization of developers' contributions	-	(57,427)	-	(57,427)
Excess of Revenues over Expenses	-	-	198,407	198,407
Balance, September 30, 2016	$ 5,674,565	$ 815,815	$ 4,698,192	$ 11,188,572
Contributions received	76,701	314,273	-	390,974
Amortization of developers' contributions	-	(57,847)	-	(57,847)
Excess of Revenues over Expenses	-	-	630,758	630,758
Balance, September 30, 2017	$ 5,751,266	$ 1,072,241	$ 5,328,950	$ 12,152,457

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

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Excess of revenues over expenses	$ 630,758	$ 198,407
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	683,081	658,594
Amortization	52,596	57,421
Loss on disposal of assets	5,689	17,811
Patronage equity distributions	(8,513)	(9,887)
Changes in assets and liabilities		
(Increase) decrease in accounts receivable, members	8,706	(29,016)
(Increase) decrease in inventory	(77,460)	1,798
(Increase) decrease in other current assets	(132,252)	13,204
Increase in unamortized debt expenses	(101,481)	(65,224)
Increase in unamortized regulatory expenses	(22,526)	(34,318)
(Increase) decrease in utility deposits	(2,785)	33
Increase (decrease) in accounts payable, trade	(114,287)	75,115
Decrease in other liabilities	(3,528)	(14,586)
Increase in deposits payable from restricted assets	811	601
Total adjustments	288,051	671,546
Net cash provided by operating activities	918,809	869,953
Cash flows from investing activities:		
Patronage equity retirement payment	34,556	32,645
Capital expenditures	(3,641,396)	(1,264,704)
Net cash used by investing activities	$ (3,606,840)	$ (1,232,059)

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, 2017 AND 2016

	2017	2016
Cash flows from financing activities:		
Repayment of long-term debt	$ (580,802)	$ (557,575)
Proceeds from financing	3,592,717	518,267
Contributed capital in aid of construction	76,701	56,686
Net cash provided by financing activities	3,088,616	17,378
Increase (decrease) in cash and cash equivalents	400,585	(344,728)
Cash transferred from (to) restricted funds	(7,901)	17,942
Net increase (decrease) in cash and cash equivalents	392,684	(326,786)
Cash and cash equivalents at beginning of year	1,580,374	1,907,160
Cash and cash equivalents at end of year	$ 1,973,058	$ 1,580,374

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

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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, 2017 and 2016. 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 recorded at the lower of cost (first-in, first-out) or market. 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, 2017 and 2016, 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, 2017 and 2016.

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 2014 through 2016 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 utility plant is computed on the straight-line basis over the estimated useful lives of the related assets.

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.

Initial Adoption of Accounting Policies

Beginning October 1, 2016, the Organization adopted Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Cost (ASU 2015-03). The FASB issued this update to simplify the presentation of debt issuance costs related to a recognized debt liability to present the debt issuance costs as a direct deduction from the carrying value of the debt liability, rather than showing the debt issuance cost as an asset. As the adoption of this new guidance only amended presentation and disclosure requirements and did not impact its recognition and measurement, the adoption did not materially affect the Organization's financial position, results of operations or cash flows. As ASU 2015-03 requires retrospective application, the Organization reclassified $100,564 of debt issuance costs included as Other current assets as a deduction of Notes payable, net of current portion as of September 30, 2016.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note 2 - Utility Plant

Details of the utility plant at September 30, 2017 and 2016 are as follows:

	2017	2016
Land	$ 495,774	$ 495,774
Utility plant in service	26,679,252	26,321,103
Automotive equipment	350,341	287,352
Office building	92,073	92,073
Office furniture and fixtures	74,597	74,597
Tools	162,902	122,677
	27,854,939	27,393,576
Less accumulated depreciation	16,922,658	16,304,567
	10,932,281	11,089,009
Construction in progress	4,919,636	1,683,695
	$ 15,851,917	$ 12,772,704

Depreciation expense for the years ended September 30, 2017 and 2016 was $683,081 and $658,594, respectively.

Note 3 - Capitalization of Interest

The Association follows the policy of capitalizing interest as a component of the cost of utility plant constructed for its own use. Total interest incurred was $193,954 for 2017 and $231,745 for 2016, of which $27,363 and $1,147 was capitalized in 2017 and 2016, respectively.

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

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, 2017 and 2016 are as follows:

	2017	2016
Unamortized regulatory expenses	$ 260,097	$ 237,552
Less: accumulated amortization	122,254	77,226
	$ 137,843	$ 160,326

Note 4 – Unamortized Regulatory Expenses (continued)

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

2018	$ 46,493
2019	45,187
2020	27,818
2021	14,123
2022	4,222
	$ 137,843

Note 5 - Restricted Assets

Details of restricted cash and equivalents as of September 30, 2017 and 2016 are as follows:

	2017	2016
Customer deposits	76,740	75,929
Capital improvement assessment	53,742	46,652
	$ 130,482	$ 122,581

Note 6 - Long-Term Debt

Following is a summary of long-term debt at September 30, 2017 and 2016:

	2017	2016
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.	$ 462,786	$ 716,340
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.	752,637	899,039

Note 6 - Long-Term Debt (continued)

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.	623,071	709,109
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.	837,350	932,159
Promissory note payable to Florida Department of Environmental Protection in an aggregate principal amount not to exceed $5,225,021. Promissory note transitions 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.	4,110,985	518,267
Total Long-term debt	6,786,829	3,774,914
Less current maturities	(752,565)	(580,802)
Less unamortized debt expense	(194,460)	(100,564)
	$ 5,839,804	$ 3,093,548

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

2018	$ 752,565
2019	864,208
2020	681,883
2021	704,582
2022	574,408
Thereafter	3,209,183
	$ 6,786,422

Note 6 - Long-Term Debt (continued)

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, 2017 and 2016 are as follows:

	2017	2016
Loan Costs	$ 265,873	$ 164,392
Less: accumulated amortization	71,413	63,828
	$ 194,460	$ 100,564

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

2018	$ 14,184
2019	14,266
2020	13,472
2021	11,421
2022	11,421
Thereafter	129,696
	$ 194,460

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, 2017 and 2016, there was $-0- drawn on this line.

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, 2017 and 2016.

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, 2017 and 2016, 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, 2017 and 2016 were $6,980 and $6,690, 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 $57,847 and $57,421 for the years ended September 30, 2017 and 2016, 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 $89,822 and $92,457 for the year ended September 30, 2017 and 2016, 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 $193,954 and $231,745 for the years ended September 30, 2017 and 2016, respectively.

The Association received Class B - Participation Certificates from CoBank as a patronage equity distribution in the amount of $8,513 and $9,887 for the years ended September 30, 2017 and 2016, respectively.

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 $154,345 and $283,877 as of September 30, 2017 and 2016, 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 $732,882 and $157,638 on deposit at commercial banks exceeding the portion insured by the FDIC as of September 30, 2017 and 2016, 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 $440,403 and $466,446 as of September 30, 2017 and 2016, respectively. As of September 30, 2017 and 2016, $34,556 and $32,645 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 2017 and 2016 was $7,164 and $6,616, respectively. The funds are held in a separate bank account and are used only to pay costs related to the relocation of the water and sewer mains on the Gasparilla Island Causeway bridges. As of September 30, 2017, funds in the amount of $1,710,806 have been paid to relocate water and sewer mains on the Gasparilla Island Causeway Bridge.

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 expires January 31, 2018, 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, 2017 and 2016, there was $-0- drawn on this line.

The Association entered into a multiple advance term policy note with CoBank dated June 28, 2017 for a loan commitment in an aggregate principal amount not to exceed $16,000,000. The purpose of the commitment is to finance system capital expenditures and related closing costs. The commitment is available until August 13, 2022. Principal payments will be made in 300 consecutive monthly installments beginning September 2022. As of September 30, 2017, there had been no advances under the agreement.

The Association has certain contract commitments related to water and sewer system improvements outstanding as of September 30, 2017. The remaining commitment on those contracts is approximately $1,402,154 as of September 30, 2017.

Note 14 – Subsequent Events

Subsequent events were evaluated through January 15, 2018, 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, 2017 AND 2016

	2017	2016
Water System Operating Expenses		
Purchased water	$ 200,087	$ 41,358
Operations and maintenance	128,034	145,040
Regulatory expenses - permits	17,578	17,578
Electricity	245,457	247,535
Chemicals	92,345	100,102
Lab fees	18,615	17,067
Salaries and payroll taxes	444,679	436,051
Pensions and employee benefits	138,013	134,276
Training	2,029	1,993
Total Water System Operating Expenses	$ 1,286,837	$ 1,141,000
Sewer System Operating Expenses		
Operations and maintenance	$ 196,502	$ 327,253
Regulatory expenses - permits	23,490	23,877
Electricity	64,016	64,788
Chemicals	135,507	108,965
Lab fees	36,123	34,604
Salaries and payroll taxes	367,538	377,408
Pensions and employee benefits	86,824	86,535
Training	1,567	100
Total Sewer System Operating Expenses	$ 911,567	$ 1,023,530

GASPARILLA ISLAND WATER ASSOCIATION, INC.

GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
General and Administrative Expenses		
Auto and truck expenses	$ 42,588	$ 43,004
General repairs and maintenance	27,897	36,314
Deferred rate study costs	3,942	-
Insurance	282,730	263,196
Miscellaneous	15,816	13,915
Office supplies and postage	21,137	19,584
Professional fees - accounting	14,943	14,642
Professional fees - engineering	12,359	18,623
Professional fees - legal	2,663	1,790
Salaries and payroll taxes, office	233,500	238,316
Pensions and employee benefits, office	67,475	66,339
Communications	30,129	28,113
Total General and Administrative Expenses	$ 755,179	$ 743,836

SINGLE AUDIT COMPLIANCE

SUPLEE SHEA CRAMER & ROCKLEIN, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

T. RAYMOND SUPLEE, CPA
NORMAN J. SHEA III, CPA
THOMAS R. CRAMER, CPA
JOSEPH E. ROCKLEIN III, CPA
CANDY L. KESSEL, CPA
MARINA DINER, CPA
JAY D. MILLER, CPA

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

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

We have audited, in accordance with the 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, the financial statements of Gasparilla Island Water Association, Inc., which comprise the balance sheet as of September 30, 2017, and the related statements of revenues and expenses, changes in equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gasparilla Island Water Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gasparilla Island Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Gasparilla Island Water Association, Inc.'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gasparilla Island Water Association, Inc.'s financial statements are free from material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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 of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Suplee Shea Cramer & Rocklein PA

SUPLEE, SHEA, CRAMER, & ROCKLEIN, P.A.
Sarasota, FL
January 15, 2018

SUPLEE SHEA CRAMER & ROCKLEIN, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Gasparilla Island Water Association, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gasparilla Island Water Association, Inc.'s major federal programs for the year ended September 30, 2017. Gasparilla Island Water Association, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gasparilla Island Water Association, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gasparilla Island Water Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Gasparilla Island Water Association, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Gasparilla Island Water Association, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Gasparilla Island Water Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gasparilla Island Water Association, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gasparilla Island Water Association, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Suplee Shea Cramer & Rocklein PA

SUPLEE, SHEA, CRAMER, & ROCKLEIN, P.A.
Sarasota, FL
January 15, 2018

GASPARILLA ISLAND WATER ASSOCIATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through	Federal CFDA Number	Project Number	Total Federal Expenditures
Environmental Protection Agency			
Florida Department of Environmental Protection			
State Revolving Fund	66.468	DW 360810	$ 3,462,319
Total Federal Award Expenditures			$ 3,462,319

See accompanying notes to the schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Gasparilla Island Water Association, Inc. under programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*(Uniform Guidance). Because the schedule presents only a selected portion of the operations of Gasparilla Island Water Association, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Gasparilla Island Water Association, Inc..

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized in accordance with the OMB Compliance Supplement, Uniform Guidance.

Note 3 – Description of Loan Program

In December of 2015 the Association started participating in the State Revolving Fund. The State Revolving Fund is a lending program established by the Florida Department of Environmental Protection. As of September 30, 2017 the balance of the loan was $4,110,985.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Gasparilla Island Water Association, Inc.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of Gasparilla Island Water Association, Inc. were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs were reported in the Independent Auditors' Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.

5. The auditors' report on compliance for each major program and on internal control over compliance for Gasparilla Island Water Association, Inc. expresses an unmodified opinion.

6. Our audit disclosed no findings related to major federal awards programs for Gasparilla Island Water Association, Inc. required to be disclosed by OMB Compliance Supplement, Uniform Guidance.

7. The programs tested as major programs included:

Federal Grantor/Pass-through	Federal CFDA Number	Project Title
Environmental Protection Agency		
Florida Department of Environmental Protection		
State Revolving Fund	66.468	DW 360810

8. The threshold for distinguishing Types A and B programs was $750,000.

9. Gasparilla Island Water Association, Inc. was determined not to be a low-risk auditee.

Findings - Financial Statements Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None