

**GREATER PINE ISLAND  
WATER ASSOCIATION, INC.  
Financial Statements  
December 31, 2014 and 2013**

# GREATER PINE ISLAND WATER ASSOCIATION, INC.

## Financial Statements

December 31, 2014 and 2013

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# CPA Associates, LLP

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## Independent Auditor's Report

To the Board of Directors of  
Greater Pine Island Water Association, Inc.:

We have audited the accompanying balance sheets of Greater Pine Island Water Association, Inc. as of December 31, 2014 and 2013, and the related statements of income, changes in members' 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 audit. We conducted our audit 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 of 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 judgement, 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 opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Pine Island Water Association, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Other Matters*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the Association's management and was derived from and relates 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 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CRA Associates, LLP*

Vero Beach, Florida  
February 24, 2015

GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Balance Sheets**

December 31, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 1,983,095	1,571,834
Restricted (Note 2)	9,124	7,766
Total cash and cash equivalents	1,992,219	1,579,600
Accounts receivable:		
Customers	164,156	162,720
Other	101,669	-
Accrued interest receivable	165	1,209
Patronage dividend receivable	22,292	24,950
Inventory, parts, and materials	94,704	99,702
Prepaid expenses and other	89,661	79,406
Total current assets	2,464,866	1,947,587
Property, plant, and equipment, net (Note 3)	13,622,319	14,120,589
Other assets:		
Investment in CoBank	314,595	307,165
Restricted certificate of deposit (Note 6)	115,000	115,000
Loan costs, net	14,492	16,943
Total other assets	444,087	439,108
Total assets	<u>\$ 16,531,272</u>	<u>16,507,284</u>

<b><u>Liabilities and Members' Equity</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Current liabilities:		
Current maturities of long-term debt (Note 5)	\$ 229,450	340,579
Accounts payable	149,962	149,002
Accrued liabilities (Note 4)	230,620	240,865
Total current liabilities	<u>610,032</u>	<u>730,446</u>
Long-term liabilities:		
Long-term debt, less current maturities (Note 5)	2,567,153	2,818,664
Injection well liability (Note 6)	17,201	17,201
Total long-term liabilities	<u>2,584,354</u>	<u>2,835,865</u>
Total liabilities	3,194,386	3,566,311
Members' equity:		
Members' fees and capital investments	11,713,875	11,394,456
Retained earnings	1,623,011	1,546,517
Total members' equity	<u>13,336,886</u>	<u>12,940,973</u>
Total liabilities and members' equity	<u>\$ 16,531,272</u>	<u>16,507,284</u>

See the accompanying notes to financial statements.

GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Statements of Income**

For the years ended December 31, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Operating revenues:		
Metered water sales	\$ 3,285,266	3,073,235
Other	49,185	42,716
Total operating revenues	3,334,451	3,115,951
Operating expenses:		
Salaries	994,524	961,585
Depreciation (Note 3)	761,282	794,945
Employee benefits	312,723	292,990
Electricity	260,057	247,437
Insurance	156,292	132,760
Repairs and maintenance	205,133	204,562
Professional fees	134,995	120,881
Taxes and permits	86,204	83,170
Office expense and customer billing	71,974	77,669
Chemicals	55,659	54,032
Miscellaneous	51,718	49,491
Auto and truck	35,484	34,757
Operating supplies	4,307	3,961
Total operating expenses	3,130,352	3,058,240
Operating income	204,099	57,711
Other expenses:		
Interest expense (Note 5)	157,831	179,493
Amortization	2,451	3,871
Total other expenses	160,282	183,364
Other income:		
Interest income	1,734	1,445
Gain on disposal of assets	442	2,500
Miscellaneous income	30,501	43,836
Total other income	32,677	47,781
Net income (loss)	\$ 76,494	(77,872)

See the accompanying notes to financial statements.

GREATER PINE ISLAND WATER ASSOCIATION, INC.

Statements of Changes in Members' Equity

For the years ended December 31, 2014 and 2013

	Members' Fees and Capital Investments						Total members' equity
	Membership fees	Meter fees	Capital charges	Aid-In construction	Total	Retained earnings	
Balances at December 31, 2012	\$1,831,469	3,454,515	5,482,100	320,098	11,088,182	1,624,389	12,712,571
Net loss	-	-	-	-	-	(77,872)	(77,872)
New member fees	49,572	135,602	121,055	1,840	308,069	-	308,069
Adjustments and refunds to former members	(1,402)	(393)	10,224	(10,224)	(1,795)	-	(1,795)
Balances at December 31, 2013	1,879,639	3,589,724	5,613,379	311,714	11,394,456	1,546,517	12,940,973
Net income	-	-	-	-	-	76,494	76,494
New member fees	54,000	142,860	123,257	4,072	324,189	-	324,189
Adjustments and refunds to former members	(896)	(978)	2,216	(5,112)	(4,770)	-	(4,770)
Balances at December 31, 2014	\$1,932,743	3,731,606	5,738,852	310,674	11,713,875	1,623,011	13,336,886

See the accompanying notes to financial statements.



GREATER PINE ISLAND WATER ASSOCIATION, INC.

Statements of Cash Flows

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 3,363,516	3,154,562
Cash paid to suppliers/employees	(2,485,281)	(2,295,110)
Interest income	2,778	1,858
Interest paid	(155,173)	(180,480)
Cash flows provided by operating activities	<u>725,840</u>	<u>680,830</u>
Cash flows from investing activities:		
Funds used for plant expansion and other capital expenditures	(269,670)	(1,236,466)
Proceeds from sale of assets	7,100	2,500
Certificates of deposit, net	-	460,000
Investment in CoBank	(7,430)	(4,583)
Cash flows used in investing activities	<u>(270,000)</u>	<u>(778,549)</u>
Cash flows from financing activities:		
Funds received for plant expansion-members (net of refunds)	319,419	306,276
Repayment of long-term debt	(362,640)	(346,396)
Cash flows used by financing activities	<u>(43,221)</u>	<u>(40,120)</u>
Net increase (decrease) in cash and cash equivalents	412,619	(137,839)
Cash and cash equivalents - beginning of year	<u>1,579,600</u>	<u>1,717,439</u>
Cash and cash equivalents - end of year	<u>\$ 1,992,219</u>	<u>1,579,600</u>

See the accompanying notes to financial statements.

GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Statements of Cash Flows, Continued**

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of net income (loss) to net cash provided by operating activities:		
Net income (loss)	\$ 76,494	(77,872)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	761,282	794,945
Amortization	2,451	3,871
(Gain) on disposal of assets	(442)	(2,500)
Cash provided by (used for) changes in:		
Accounts receivable - customers	(1,436)	(5,225)
Accounts receivable - other	(101,669)	-
Accrued interest receivable	1,044	413
Patronage dividend receivable	2,658	(987)
Inventory, parts, and materials	4,998	1,240
Prepaid expenses and other	(10,255)	(10,669)
Accounts payable	960	(10,223)
Accrued liabilities	(10,245)	(12,163)
Cash flows provided by operating activities	<u>\$ 725,840</u>	<u>680,830</u>

See the accompanying notes to financial statements

GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Notes to Financial Statements**

December 31, 2014 and 2013

**(1) Summary of Significant Accounting Policies**

**(a) Organization**

The Greater Pine Island Water Association, Inc. (the "Association") is a private organization incorporated under Florida law in 1964 as a cooperative, for the purpose of supplying drinking water to its members residing on Pine Island and adjacent land in Lee County, Florida. Members may be individuals or business entities and are entitled to one vote, regardless of water usage, at the Association's annual meeting. The Association is classified as a non-profit membership association under Section 501(c) (12) of the Internal Revenue Code and, as such, is not subject to federal and state income taxes.

**(b) Statement of Cash Flows**

For the purpose of the statement of cash flows, the Association considers all liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

**(c) Revenue Recognition**

Fees for water consumption consists of three parts: a base fee, which is a standard monthly rate per connection; a ready to serve charge, which is a standard monthly charge based upon size of water meter; and a water usage rate, which is computed based on water consumption. The Association reads water meters on a monthly basis and records the resulting revenue as earned.

**(d) Fair Value of Financial Instruments**

The carrying values of the Association's financial instruments, which consists of accounts receivable, accounts payable, accrued liabilities and long-term debt, approximates fair value.

**(e) Use of Estimates**

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

**(f) Certificates of Deposit**

Certificates of deposit are stated at cost, which approximates market and are included in cash at year end.

**Notes to Financial Statements**

**(1) Summary of Significant Accounting Policies, Continued**

**(g) *Accounts Receivable***

Accounts receivable are stated at net realizable value and, in the opinion of management, are considered fully collectible; consequently, no allowance for bad debts was deemed necessary in the accompanying balance sheets as of December 31, 2014 and 2013.

**(h) *Inventory, Parts, and Materials***

Inventory, parts, and materials are stated at the lower of cost or market, utilizing the first-in, first-out method.

**(i) *Property, Plant, and Equipment***

Property, plant, and equipment are stated at cost less accumulated depreciation. Additions and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Other expenditures for repairs and maintenance are charged to operations in the period incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets, which range from three to forty years.

**(j) *Investments in CoBank***

The Association's investments in CoBank are accounted for at cost and are increased for any qualified or allocated equities and are reduced for any distributions received.

**(k) *Intangible Assets***

Costs incurred in the course of obtaining mortgage financing are capitalized and amortized over the term of the respective loans using the straight-line method, which approximates the effective interest method.

**(l) *Impairment of Long-Lived Assets***

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

GREATER PINE ISLAND WATER ASSOCIATION, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(m) *Compensated Absences*

Employees accrue sick leave at the rate of 1 day per month and are allowed to accumulate unused sick leave. The Association has adopted the policy of reimbursing a maximum accumulation of 260 hours to employees leaving the Association's service after 20 years of service, at the employee's most recent hourly wage rate.

(n) *Income Taxes*

While the Association is recognized as an organization exempt from income taxes under the Internal Revenue Code, it is required to file information returns with the Internal Revenue Service. Such information returns are subject to examination by the Service and if it was determined, that the Association was not operating in accordance with its exemption, its status would be revoked and income taxes would be assessed.

(o) *Members' Equity*

To become members of the Association, new members are required to pay certain fees. Among these fees are: basic membership fees, meter fees, impact fees, and in some instances, aid-in construction fees. In addition, current earnings and losses are allocated to members based upon their proportionate share of consumption.

(2) Restricted Cash and Cash Equivalents

Restrictions on cash and cash equivalents consist of restrictions designated by the Board of Directors and consist of the following:

<u>Purpose</u>	<u>2014</u>	<u>2013</u>
Employee medical reimbursements	<u>\$ 9,124</u>	<u>7,766</u>

GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Notes to Financial Statements**

**(3) Property, Plant, and Equipment**

Property, plant, and equipment are comprised of the following at December 31, 2014 and 2013:

	2014	2013
Land and land improvements	\$ 1,507,106	1,403,797
Well systems	4,327,605	4,302,817
Treatment plant	5,207,904	5,025,599
Distribution system	10,490,929	9,681,694
Pumping stations	2,511,067	2,511,067
Administrative office	309,155	309,155
Field equipment	427,922	408,323
Vehicles	196,527	186,487
Miscellaneous system assets	448,134	448,134
Construction in progress	-	904,356
	25,426,349	25,181,429
Less accumulated depreciation	(11,804,030)	(11,060,840)
	\$ 13,622,319	14,120,589

Depreciation expense for the years ended December 31, 2014 and 2013 amounted to \$761,282 and \$794,945, respectively.

**(4) Accrued Liabilities**

Accrued liabilities are comprised of the following at December 31, 2014 and 2013:

	2014	2013
Accrued sick leave	\$ 162,246	175,430
Customer payments in advance	32,666	33,436
Accrued interest payable	14,923	17,102
Accrued wages and payroll taxes	13,574	14,251
Interest payable to Lee County	72	604
Other liabilities	7,139	42
	\$ 230,620	240,865

GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Notes to Financial Statements**

**(5) Long-Term Debt**

Long-term debt at December 31, 2014 and 2013 consists of the following:

	<b>2014</b>	<b>2013</b>
Mortgage payable to CoBank, payable in monthly installments, including interest at a fixed rate of 8.19% and maturing February 2015. Revenues and substantially all of the real and tangible personal property of the Association collateralize the mortgage payable.	\$ 24,740	168,525
Mortgage payable to CoBank, payable in monthly installments, including interest at a fixed rate of 6.18% on a portion of the mortgage payable balance (\$2,087,613) and a fixed rate of 6.12% on the remainder (\$1,113,394), maturing February 2025. Revenues and substantially all of the real and tangible personal property of the Association collateralize the mortgage payable.	2,771,863	2,990,718
	2,796,603	3,159,243
Less: current maturities	(229,450)	(340,579)
	\$ 2,567,153	2,818,664

The aggregate principal maturities of long-term debt are as follows:

<b>Year ending December 31,</b>	
2015	\$ 229,450
2016	217,682
2017	231,473
2018	246,139
2019	261,736
Thereafter	1,610,123
	\$ 2,796,603

**Notes to Financial Statements**

**(5) Long-Term Debt, Continued**

The mortgage payable agreements contain conditions and covenants that prevent or restrict the Association from engaging in certain transactions without the consent of CoBank and requires the Association to maintain certain financial ratios, including working capital, depreciation and amortization.

**(6) Letter of Credit**

The Association operates a deep injection well as a disposal site for the brine water produced by its reverse osmosis process. The Florida Department of Environmental Protection (DEP) requires operators of deep injection wells to demonstrate that its operators can plug the well when it is no longer of any use. To be in compliance with DEP regulations, the Association and Lee County, Florida jointly maintain a letter of credit with a commercial bank for the deep well injection system, which was a jointly funded project with Lee County, Florida. The Association and Lee County, Florida jointly funded a certificate of deposit in the amount of \$230,000, which serves as security for the letter of credit. Interest earned is allocable to both parties and may accumulate in the account. As of December 31, 2014 and 2013, accumulated interest payable to Lee County amounted to \$72 and \$604, respectively. The Association's portion of the certificate of deposit is reported as a restricted certificate of deposit in the accompanying balance sheets at December 31, 2014 and 2013.

The Association is recognizing a yearly charge to recognize the estimated liability of approximately \$97,000 for its anticipated future cost of plugging the well at the end of its useful life.

**(7) Defined Contribution 401(k) Plan**

The Association has adopted a defined contribution 401(k) plan (the "Plan") covering substantially all full-time employees who have attained the age of 18 and completed six months of service within a plan year. Under the terms of the Plan, employees may defer a portion of eligible compensation subject to maximum allowable dollar limitations. The Association may also make discretionary contributions to the Plan, such as matching contributions and discretionary profit sharing contributions. During the years ended December 31, 2014 and 2013, the Association contributed a total of \$139,167 and \$146,848, respectively, to the Plan in the form of matching contributions of \$27,108 and \$26,622 and discretionary profit sharing contributions of \$112,059 and \$120,226, respectively. The Association also incurred administration costs related to the plan in the amount of \$6,407 and \$5,140, for 2014 and 2013, respectively.



**Notes to Financial Statements**

**(8) Subsequent Events**

Management has evaluated subsequent events through February 24, 2015, the date of which the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements

**SUPPLEMENTARY INFORMATION**

**Schedule of Employee Benefit Expense**

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Group health insurance	\$ 164,319	133,100
Pension costs	145,714	151,989
Uniforms	<u>2,690</u>	<u>7,901</u>
Total employee benefit expense	<u>\$ 312,723</u>	<u>292,990</u>

See accompanying independent auditor's report.

**Schedule of Insurance Expense**

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
General insurance	\$ 99,285	77,301
Workers' compensation insurance	40,747	39,119
Vehicle insurance	16,260	16,340
Total insurance expense	<u>\$ 156,292</u>	<u>132,760</u>

See accompanying independent auditor's report.

**Schedule of Professional Fees**

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Contract services	\$ 60,447	59,220
Engineering fees	48,770	30,668
Accounting fees	20,679	20,392
Legal fees	5,099	10,581
Total professional fees	<u>\$ 134,995</u>	<u>120,861</u>

See accompanying independent auditor's report.

**Schedule of Miscellaneous Expenses**

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Communications	\$ 18,621	17,446
Water samples	17,860	14,863
Security system	3,045	3,707
Disposal service	3,121	3,124
Continuing education	1,300	1,204
Miscellaneous	7,771	9,147
Total miscellaneous expenses	<u>\$ 51,718</u>	<u>49,491</u>

See accompanying independent auditor's report.

**Schedule of Capital Expenditures**

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Distribution system	\$ 32,975	1,218,567
Treatment plant	182,305	-
Other equipment	<u>54,390</u>	<u>17,899</u>
Total capital expenditures to property, plant, and equipment	<u>\$ 269,670</u>	<u>1,236,466</u>

See accompanying independent auditor's report.