

**GREATER PINE ISLAND  
WATER ASSOCIATION, INC.  
Financial Statements  
December 31, 2015 and 2014**

# GREATER PINE ISLAND WATER ASSOCIATION, INC.

## Financial Statements

December 31, 2015 and 2014

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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, 2015 and 2014, 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; 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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, 2015 and 2014, 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.

*Report on Supplementary Information*

Our audits were made 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 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.

*CPA Associates, LLP*

Vero Beach, Florida  
January 25, 2016



GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Balance Sheets**

December 31, 2015 and 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 3,043,617	1,983,095
Restricted (Note 2)	8,311	9,124
Total cash and cash equivalents	3,051,928	1,992,219
Accounts receivable:		
Customers	179,783	164,156
Other	-	101,669
Accrued interest receivable	573	165
Patronage dividend receivable	19,922	22,292
Inventory, parts, and materials	96,264	94,704
Prepaid expenses and other	89,014	89,661
Total current assets	3,437,484	2,464,866
Property, plant, and equipment, net (Note 3)	13,002,802	13,622,319
Other assets:		
Investment in CoBank	321,236	314,595
Restricted certificate of deposit (Note 6)	115,000	115,000
Loan costs, net	13,055	14,492
Total other assets	449,291	444,087
Total assets	<u>\$ 16,889,577</u>	<u>16,531,272</u>

<b><u>Liabilities and Members' Equity</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Current liabilities:		
Current maturities of long-term debt (Note 5)	\$ 204,403	229,450
Accounts payable	25,923	149,962
Accrued liabilities (Note 4)	224,250	230,620
Total current liabilities	<u>454,576</u>	<u>610,032</u>
Long-term liabilities:		
Long-term debt, less current maturities (Note 5)	2,339,687	2,567,153
Injection well liability (Note 6)	18,205	17,201
Total long-term liabilities	<u>2,357,892</u>	<u>2,584,354</u>
Total liabilities	2,812,468	3,194,386
Members' equity:		
Members' fees and capital investments	12,149,244	11,713,875
Retained earnings	1,927,865	1,623,011
Total members' equity	<u>14,077,109</u>	<u>13,336,886</u>
Total liabilities and members' equity	<u>\$ 16,889,577</u>	<u>16,531,272</u>

See the accompanying notes to financial statements.

GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Statements of Income**

For the years ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Operating revenues:		
Metered water sales	\$ 3,382,400	3,285,266
Other	47,884	49,185
Total operating revenues	3,430,284	3,334,451
Operating expenses:		
Salaries	1,008,084	994,524
Depreciation (Note 3)	798,506	761,282
Employee benefits	255,127	312,723
Electricity	241,739	260,057
Insurance	148,238	156,292
Repairs and maintenance	174,657	205,133
Professional fees	105,295	134,995
Taxes and permits	95,581	86,204
Office expense and customer billing	68,299	71,974
Chemicals	42,024	55,659
Miscellaneous	47,300	51,718
Auto and truck	28,310	35,484
Operating supplies	3,495	4,307
Total operating expenses	3,016,655	3,130,352
Operating income	413,629	204,099
Other expenses:		
Interest expense (Note 5)	139,349	157,831
Amortization	1,437	2,451
Total other expenses	140,786	160,282
Other income:		
Interest income	16,626	1,734
Gain(Loss) on disposal of assets	(407)	442
Miscellaneous income	15,792	30,501
Total other income	32,011	32,677
Net income	\$ 304,854	76,494

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, 2015  
and 2014

	Members' Fees and Capital Investments						Total members' equity
	Membership fees	Meter fees	Capital charges	Aid-In construction	Total	Retained earnings	
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
Net income	-	-	-	-	-	304,854	304,854
New member fees	59,724	154,892	216,814	4,147	435,577	-	435,577
Adjustments and refunds to former members	(364)	137	9,537	(9,518)	(208)	-	(208)
Balances at December 31, 2015	\$ 1,992,103	3,886,635	5,965,203	305,303	12,149,244	1,927,865	14,077,109

See the accompanying notes to financial statements.



GREATER PINE ISLAND WATER ASSOCIATION, INC.

Statements of Cash Flows

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from customers	\$ 3,430,449	3,363,516
Cash paid to suppliers/employees	(2,247,802)	(2,485,281)
Interest income	16,218	2,778
Interest paid	(136,979)	(155,173)
Cash flows provided by operating activities	<u>1,061,886</u>	<u>725,840</u>
Cash flows from investing activities:		
Funds used for plant expansion and other capital expenditures	(179,394)	(269,670)
Increase in deep injection well liability	1,004	-
Proceeds from sale of assets	-	7,100
Investment in CoBank	(6,641)	(7,430)
Cash flows (used) provided in investing activities	<u>(185,031)</u>	<u>(270,000)</u>
Cash flows from financing activities:		
Funds received for plant expansion-members	435,367	319,419
Repayment of long-term debt	(252,513)	(362,640)
Cash flows used by financing activities	<u>182,854</u>	<u>(43,221)</u>
Net increase (decrease) in cash and cash equivalents	1,059,709	412,619
Cash and cash equivalents - beginning of year	<u>1,992,219</u>	<u>1,579,600</u>
Cash and cash equivalents - end of year	<u>\$ 3,051,928</u>	<u>1,992,219</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of net income (loss) to net cash provided by operating activities:		
Net income (loss)	\$ 304,854	76,494
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	798,506	761,282
Amortization	1,437	2,451
Loss (Gain) on disposal of assets	407	(442)
Cash provided by (used for) changes in:		
Accounts receivable - customers	(15,627)	(1,436)
Accounts receivable - other	101,669	(101,669)
Accrued interest receivable	(408)	1,044
Patronage dividend receivable	2,370	2,658
Inventory, parts, and materials	(1,560)	4,998
Prepaid expenses and other	647	(10,255)
Accounts payable	(124,039)	960
Accrued liabilities	(6,370)	(10,245)
Cash flows provided by operating activities	<u>\$ 1,061,886</u>	<u>725,840</u>

See the accompanying notes to financial statements.

GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Notes to Financial Statements**

December 31, 2015 and 2014

**(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) Unrestricted Certificates of Deposit**

Unrestricted certificates of deposit are stated at cost, which approximates market, and are included in cash and cash equivalents.



GREATER PINE ISLAND WATER ASSOCIATION, INC.

**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, 2015 and 2014.

**(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>2015</u>	<u>2014</u>
Employee medical reimbursements	<u>\$ 8,311</u>	<u>9,124</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, 2015 and 2014:

	2015	2014
Land and land improvements	\$ 1,507,106	1,507,106
Well systems	4,327,605	4,327,605
Treatment plant	5,009,466	5,207,904
Distribution system	10,470,224	10,490,929
Pumping stations	2,511,067	2,511,067
Administrative office	295,893	309,155
Field equipment	412,718	427,922
Vehicles	218,740	196,527
Miscellaneous system assets	448,134	448,134
Construction in progress	32,217	-
	25,233,170	25,426,349
Less accumulated depreciation	(12,230,368)	(11,804,030)
	\$ 13,002,802	13,622,319

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to \$798,506 and \$761,282, respectively.

**(4) Accrued Liabilities**

Accrued liabilities are comprised of the following at December 31, 2015 and 2014:

	2015	2014
Accrued sick leave	\$ 151,162	162,246
Customer payments in advance	36,240	32,666
Accrued interest payable	13,516	14,923
Accrued wages	10,894	13,574
Interest payable to Lee County	287	72
Other liabilities	12,151	7,139
	\$ 224,250	230,620

GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Notes to Financial Statements**

**(5) Long-Term Debt**

Long-term debt at December 31, 2015 and 2014 consists of the following:

	2015	2014
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
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 (\$1,659,189) and a fixed rate of 6.12% on the remainder (\$884,901), maturing February 2025. Revenues and substantially all of the real and tangible personal property of the Association collateralize the mortgage payable.	2,544,090	2,771,863
	2,544,090	2,796,603
Less: current maturities	(204,403)	(229,450)
	\$ 2,339,687	2,567,153

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

Year ending December 31,	
2016	\$ 204,403
2017	222,151
2018	236,224
2019	251,189
2020	267,103
Thereafter	1,363,020
	\$ 2,544,090

**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, 2015 and 2014, accumulated interest payable to Lee County amounted to \$287 and \$72, 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, 2015 and 2014.

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, 2015 and 2014, the Association contributed a total of \$110,449 and \$139,167, respectively, to the Plan in the form of matching contributions of \$28,052 and \$27,108 and discretionary profit sharing contributions of \$82,397 and \$112,059, respectively. The Association also incurred administration costs related to the plan in the amount of \$3,838 and \$6,407 for 2015 and 2014, respectively.

GREATER PINE ISLAND WATER ASSOCIATION, INC.

**Notes to Financial Statements**

(8) **Subsequent Events**

Management has evaluated subsequent events through January 25, 2016, 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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Group health insurance	\$ 137,728	164,319
Pension costs	114,147	145,714
Uniforms	<u>3,252</u>	<u>2,690</u>
Total employee benefit expense	<u>\$ 255,127</u>	<u>312,723</u>

See accompanying independent auditor's report.

**Schedule of Insurance Expense**

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
General insurance	\$ 103,171	99,285
Workers' compensation insurance	29,776	40,747
Vehicle insurance	<u>15,291</u>	<u>16,260</u>
Total insurance expense	<u>\$ 148,238</u>	<u>156,292</u>

See accompanying independent auditor's report.

**Schedule of Professional Fees**

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Contract services	\$ 61,181	60,447
Engineering fees	16,556	48,770
Accounting fees	20,221	20,679
Legal fees	7,337	5,099
Total professional fees	<u>\$ 105,295</u>	<u>134,995</u>

See accompanying independent auditor's report.

**Schedule of Miscellaneous Expenses**

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Communications	\$ 18,144	18,621
Water samples	14,177	17,860
Security system	2,893	3,045
Disposal service	3,287	3,121
Continuing education	2,696	1,300
Miscellaneous	6,103	7,771
Total miscellaneous expenses	<u>\$ 47,300</u>	<u>51,718</u>

See accompanying independent auditor's report.

**Schedule of Capital Expenditures**

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Distribution system	\$ 56,455	68,156
Treatment plant	100,727	183,723
Other equipment	<u>22,212</u>	<u>17,791</u>
Total capital expenditures to property, plant, and equipment	<u>\$ 179,394</u>	<u>269,670</u>

See accompanying independent auditor's report.