

THE ISLAND WATER ASSOCIATION, INC.

Financial Statements

December 31, 1982 and 1981

(With Accountants' Report Thereon)



Peat, Marwick, Mitchell & Co.

Certified Public Accountants

P.O. Box 1439
Tampa, Florida 33601

The Board of Directors and Members
The Island Water Association, Inc.:

We have examined the balance sheets of The Island Water Association, Inc. as of December 31, 1982 and 1981 and the related statements of operations, accumulated surplus (deficit) and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of The Island Water Association, Inc. at December 31, 1982 and 1981 and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

January 27, 1983

THE ISLAND WATER ASSOCIATION, INC.

Balance Sheets

December 31, 1982 and 1981

<u>Assets</u>	<u>1982</u>	<u>1981</u>
Plant property (notes 2 and 3):		
Utility plant in service	\$ 13,292,450	11,348,414
Construction work in progress	<u>190,517</u>	<u>1,247,105</u>
	13,482,967	12,595,519
Less accumulated depreciation (note 6)	<u>3,181,248</u>	<u>2,727,088</u>
Net plant property	<u>10,301,719</u>	<u>9,868,431</u>
Current assets:		
Cash, principally interest-bearing accounts	274,942	142,171
Accounts receivable	142,566	108,760
Unbilled revenues	92,638	101,164
Prepayments and other	37,802	33,414
Materials and supplies, at cost	<u>88,879</u>	<u>134,998</u>
Total current assets	<u>636,827</u>	<u>520,507</u>
Restricted assets (note 3) -		
Cash, principally interest-bearing accounts	386,500	374,371
Deposits	2,802	2,992
	<u>\$ 11,327,848</u>	<u>10,766,301</u>

See accompanying notes to financial statements.

<u>Accumulated Surplus (Deficit) and Liabilities</u>	<u>1982</u>	<u>1981</u>
Capitalization:		
Accumulated surplus (deficit):		
Unappropriated deficit	\$ (48,547)	(223,576)
Appropriated surplus (note 3)	<u>386,500</u>	<u>374,371</u>
Net accumulated surplus	337,953	150,795
Long-term debt, excluding current installments (note 3)	<u>4,459,418</u>	<u>4,536,081</u>
Total capitalization	<u>4,797,371</u>	<u>4,686,876</u>
Current liabilities:		
Current installments of long-term debt (note 3)	75,653	71,707
Accounts payable and accrued expenses	97,299	196,135
Accrued interest payable	<u>11,182</u>	<u>9,713</u>
Total current liabilities	<u>184,134</u>	<u>277,555</u>
Customer advances for construction (note 7)	-	8,418
Members' contributions in aid of construction	6,346,343	5,793,452
Commitments (note 5)	<u>11,327,848</u>	<u>10,766,301</u>
	\$ <u>11,327,848</u>	<u>10,766,301</u>

THE ISLAND WATER ASSOCIATION, INC.

Statements of Operations

Years ended December 31, 1982 and 1981

	<u>1982</u>	<u>1981</u>
Operating revenues	\$ <u>2,396,225</u>	<u>2,502,955</u>
Operating expenses:		
Operation	1,244,742	1,215,457
Maintenance	299,198	252,685
Depreciation (note 6)	503,275	629,969
Taxes, other than income	<u>34,351</u>	<u>30,007</u>
Total operating expenses	<u>2,081,566</u>	<u>2,128,118</u>
Operating income	<u>314,659</u>	<u>374,837</u>
Other income:		
Interest	68,888	88,932
Allowance for funds used during construction	9,000	36,000
Other	<u>23,071</u>	<u>12,570</u>
Total other income	<u>100,959</u>	<u>137,502</u>
Income before interest charges	415,618	512,339
Interest charges on long-term debt	<u>228,460</u>	<u>230,788</u>
Net income	<u>\$ 187,158</u>	<u>281,551</u>

See accompanying notes to financial statements.

THE ISLAND WATER ASSOCIATION, INC.

Statements of Accumulated Surplus (Deficit)

Years ended December 31, 1982 and 1981

	Unappropriated surplus <u>(deficit)</u>	Appropriated <u>surplus</u>	Net accumulated surplus <u>(deficit)</u>
Balances at December 31, 1980	\$ (565,378)	434,622	(130,756)
Year ended December 31, 1981:			
Net transfer from appropriated surplus (note 3)	60,251	(60,251)	-
Net income	<u>281,551</u>	<u>-</u>	<u>281,551</u>
Balances at December 31, 1981	(223,576)	374,371	150,795
Year ended December 31, 1982:			
Net transfer to appropriated surplus (note 3)	(12,129)	12,129	-
Net income	<u>187,158</u>	<u>-</u>	<u>187,158</u>
Balances at December 31, 1982	\$ <u>(48,547)</u>	<u>386,500</u>	<u>337,953</u>

See accompanying notes to financial statements.

THE ISLAND WATER ASSOCIATION, INC.

Statements of Changes in Financial Position

Years ended December 31, 1982 and 1981

	<u>1982</u>	<u>1981</u>
Funds provided:		
Net income	\$ 187,158	281,551
Add nonfund charges (credits) to income:		
Depreciation	503,275	629,969
Allowance for funds used during construction	<u>(9,000)</u>	<u>(36,000)</u>
Funds derived from operations	<u>681,433</u>	<u>875,520</u>
Increase in members' contributions in aid of construction	552,891	335,219
Decrease in restricted assets	-	60,251
Decrease in deposits	190	-
Decrease in working capital	<u>-</u>	<u>245,392</u>
	<u>\$ 1,234,514</u>	<u>1,516,382</u>
Funds used:		
Property additions, net of allowance for funds used during construction	927,563	1,434,163
Increase in restricted assets	12,129	-
Increase in deposits	-	2,051
Decrease in long-term debt	76,663	79,746
Decrease in customer advances for construction	8,418	422
Increase in working capital	<u>209,741</u>	<u>-</u>
	<u>\$ 1,234,514</u>	<u>1,516,382</u>
Changes in working capital:		
Increase (decrease) in cash and interest-bearing accounts	132,771	(158,233)
Increase in accounts receivable	33,806	54,838
Decrease in unbilled revenues	(8,526)	(21,190)
Increase (decrease) in prepayments and other	4,388	(5,821)
Increase (decrease) in materials and supplies	(46,119)	17,204
Decrease in current installments of long-term debt	(3,946)	(22,867)
Decrease (increase) in accounts payable and accrued expenses	98,836	(120,496)
Decrease (increase) in accrued interest payable	<u>(1,469)</u>	<u>11,173</u>
Net change	<u>\$ 209,741</u>	<u>(245,392)</u>

See accompanying notes to financial statements.

THE ISLAND WATER ASSOCIATION, INC.

Notes to Financial Statements

(g) Members' Contributions in
Aid of Construction

Members' contributions in aid of construction consists of connection fees received from members and distribution lines contributed to the Corporation by real estate developers since the inception of the Corporation. These distribution lines are valued at an estimate of the developers' costs and are added to the Corporation's transmission and distribution plant.

(2) Utility Plant in Service

A summary of utility plant in service follows:

	<u>1982</u>	<u>1981</u>
Source of supply plant	\$ 1,254,511	1,039,064
Pumping plant	572,045	569,118
Water treatment plant	5,402,022	4,492,236
Transmission and distribution plant	5,708,893	4,929,984
General plant	354,979	318,012
	<u>\$ 13,292,450</u>	<u>11,348,414</u>

(Continued)

THE ISLAND WATER ASSOCIATION, INC.

Notes to Financial Statements

(3) Long-term Debt

A summary of long-term debt payable to Farmers Home Administration follows:

	<u>1982</u>	<u>1981</u>
5% mortgage note payable in monthly installments of \$4,016, including interest, to November 18, 2005	\$ 607,608	625,036
5% mortgage note payable in monthly installments of \$5,700, including interest, to July 17, 2013	993,771	1,012,132
5% mortgage note payable in monthly installments of \$1,235, including interest, to July 17, 2013	210,632	214,837
5% mortgage note payable in monthly installments of \$5,504, including interest, to October 11, 2014	1,014,816	1,029,866
5% mortgage note payable in monthly installments of \$3,904, including interest, to August 11, 2018	752,163	761,279
5% mortgage note payable in monthly installments of \$4,680, including interest, to February 28, 2019	956,081	964,638
	<u>4,535,071</u>	<u>4,607,788</u>
Less current installments of long-term debt	<u>75,653</u>	<u>71,707</u>
	<u>\$ 4,459,418</u>	<u>4,536,081</u>

Substantially all plant assets are pledged to secure long-term debt.

Aggregate monthly payments of \$25,039, including interest, or \$300,468 annually are due under the above mortgage notes payable.

Under the terms of the Farmers Home Administration loan agreements, to the extent funds are available, the Corporation is required to transfer an annual amount equivalent to one-tenth of the annual payments to a separate account until such account equals the total annual payments of \$300,468. These funds are to be used with the approval of the Farmers Home Administration only to repair damage from unforeseen catastrophes or certain expansion of facilities. These funds totalled \$215,422 at December 31, 1982 and \$185,375 at December 31, 1981.

The Board of Directors has restricted \$171,078 at December 31, 1982 and \$188,996 at December 31, 1981 to provide funds for unforeseen and extraordinary expenditures and to fund improvements, membrane replacement and expansion of plant in service.

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THE ISLAND WATER ASSOCIATION, INC.

Notes to Financial Statements

(4) Pension Plan

The Corporation established a contributory defined-contribution pension plan covering substantially all employees beginning November 1, 1979. The defined-contribution plan requires the Corporation to contribute annually an amount equal to 10% of each employee's salary up to \$12,000 and 7% of the excess over \$12,000. Each employee is required to contribute monthly an amount equal to 3% of his monthly salary in excess of \$1,000. The Corporation's contributions were \$21,410 in 1982 and \$24,400 in 1981.

(5) Commitments

The Corporation has committed to purchase and the Greater Pine Island Water Association has committed to deliver 40-million gallons of treated water in 1983 and 20-million gallons in 1984. The cost per thousand gallons was \$2.35 in 1982 and is adjusted annually to reflect the change in the cost of living index.

(6) Change in Estimate

During 1982, the Corporation reevaluated the estimated useful life of the electrolysis plant. The reevaluation was considered necessary due to recent technological advances that will permit the plant to efficiently operate for a period longer than was originally estimated. The plant will now be fully depreciated by December 31, 1991 rather than by December 31, 1983. The impact in 1982 of the change in depreciable life was to reduce depreciation expense by \$238,000.

(7) Customer Advances for Construction

Customer advances for construction totalled \$5,557 at December 31, 1982. These amounts have been classified in 1982 as members' contributions in aid of construction.