

GASPARILLA ISLAND WATER ASSOCIATION, Inc.

P.O. Box 326
BOCA GRANDE, FLORIDA 33921-0326
Telephone (813) 964-2423 Fax (813) 964-0625

November 22, 1994

941044-WS

Director, Division of Records and Reporting
Florida Public Service Commission
101 E. Gaines Street
Tallahassee, FL 32399-0873

Dear Sirs:

Enclosed is Gasparilla Island Water Association, Inc.'
Application for Nonprofit Association Exemption along with the
following attachments:

1. Articles of Incorporation;
2. By laws;
3. Most Recent Return of
Organization Exempt from Income Tax;
4. Most recent audited financial statement.

We hope this information will satisfy your requirements for
granting exemption, but should you have any questions, or need
any additional information, please feel free to contact me.

Sincerely,

Darrell Polk
Darrell Polk
General Manager

Enclosure

ACK _____
AFA _____
APP _____
CAF _____
CMLI _____
CTR _____
EAG _____
LEG *Edmond*
LIN _____
OPC _____
RCH _____
SEC *11*
WAS *Calu*
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DOCUMENT NUMBER-DATE
11971 NOV 28 8
FPSC-RECORDS/REPORTING

941044-WS

FORM 7
PAGE 1 OF 2

APPLICATION FOR NONPROFIT ASSOCIATION EXEMPTION
SECTION 367.022 (7), FLORIDA STATUTES
RULE 25-30:060(3) (g), FLORIDA ADMINISTRATIVE CODE

NAME OF SYSTEM: Gasparilla Island Water Association, Inc.

PHYSICAL ADDRESS OF SYSTEM: Linwood Road, Placida

MAILING ADDRESS (IF DIFFERENT): P.O. Box 326, Boca Grande, FL 33921

COUNTY: Charlotte

PRIMARY CONTACT PERSON:

NAME: Darrall Polk

ADDRESS: P.O. Box 326

Boca Grande, FL 33921

PHONE #: 813-964-2423

NATURE OF APPLICANT'S BUSINESS ORGANIZATION: (CORPORATION, PARTNERSHIP, SOLE PROPRIETOR, ETC.) Corporation

I believe this system to be exempt from the regulation of the Florida Public Service Commission pursuant to Section 367.022 (7), Florida Statutes, for the following reasons:

1. The corporation, association, or cooperative is nonprofit.
2. Service will be provided solely to members who own and control it.
3. The system provides (CHOOSE THE ONE THAT IS APPLICABLE):
Water only _____
Wastewater only _____
Both X
4. Gasparilla Island Water Association, Inc. will do the billing for such service.
5. The service area is located at: Gasparilla Island and Placida

DOCUMENT NUMBER-DATE

11971 NOV 28 &

FPBC-RECORDS/REPORTING.

APPLICATION FOR NONPROFIT ASSOCIATION EXEMPTION

6. Attached are the articles of incorporation as filed with the Secretary of State and bylaws which clearly show the requirements for membership, that the members' voting rights are one vote per unit of ownership and the circumstances under which control of the corporation passes to the non-developer members. Control of the corporation must pass: 1) at 51 percent ownership by the non-developer members or 2) at some greater percentage delimited by a time period not to exceed 5 years from the date of incorporation.
7. Attached is proof of ownership of the utility facilities and the land upon which the facilities will be located or other proof of the applicant's right to continued use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost effective alternative.

I am aware that pursuant to Section 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in Section 775.082, S. 775.083, or S. 775.084.

Charles A. Smylie
(Applicant please print or type)

11/21/94
(Date)

Charles A. Smylie
(Signature)

President
(Title)

When you finish filling out the application, the original and two copies of the application, Articles of Incorporation, Bylaws and proof of ownership should be mailed to: Director, Division of Records and Reporting, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399-0850.

ARTICLES OF INCORPORATION

OF

GASPARILLA ISLAND WATER ASSOCIATION, INC.

FILED

ARTICLE I

The name of this corporation shall be GASPARILLA ISLAND WATER ASSOCIATION, INC., and shall be a non-profit corporation organized under Chapter 617, Florida Statutes, and shall have all powers given to a non-profit corporation by the provisions of said Chapter 617, Florida Statutes.

ARTICLE II

The nature of the business of the corporation and the objects and purposes for which it is organized are:

A. To construct, maintain, and operate a water system for the supplying of water for domestic, commercial, agricultural, industrial, and other purposes to its members and for the sale of any surplus water remaining after the needs of its members have been satisfied and to engage in any activity related thereto, including but not limited to the acquisition of water by appropriation, drilling, pumping, and/or purchase, and the purchase, laying, institution, operation, maintenance, and repair of wells, pumping equipment, water mains, pipelines, valves, meters, and all other equipment necessary to the construction, maintenance and operation of a water system, and

B. To construct, maintain, and operate a sewage disposal system for the use and benefit of its members.

ARTICLE III

The members of the corporation shall be the subscribers hereto and all other persons, partnerships, corporations, or other legal entities having a reasonable accessibility to the sources of and who desire to have water and other services supplied for domestic, commercial, agricultural, industrial, or other uses from the systems constructed, maintained, and operated by the corporation. The corporation shall not be required to admit additional members if the capacity of its water system is exhausted by the needs of its existing members and such other persons to whom it has been supplying water.

ARTICLE IV

This corporation shall have perpetual existence.

ARTICLE V

The names and residences of the subscribers to these Articles of Incorporation are as follows:

W. CAREY JOHNSON	P. O. Box 156, Boca Grande, Florida
B. F. HINSON	P. O. Box 158, Boca Grande, Florida
LAURA SPRAGUE	P. O. Box 68, Boca Grande, Florida
F. A. GATES, JR.	P. O. Box 327, Boca Grande, Florida
WYMAN MILLER	P. O. Box 278, Boca Grande, Florida

ARTICLE VI

The affairs of the corporation are to be managed by a board of directors of not less than three nor more than eleven members. The number of directors shall be determined by the By-Laws. They shall be elected at the annual meeting of the members and shall hold office for such term or terms as may be provided by the By-Laws.

ARTICLE VII

The officers who shall serve until the first election or until their successors are elected shall be as follows:

W. CAREY JOHNSON	President
B. F. HINSON	Vice-President
LAURA SPRAGUE	Secretary
F. A. GATES, JR.	Treasurer

The terms of office of the foregoing officers shall be for a period of one year or until their successors are elected. The officers shall be elected by the Board of Directors.

ARTICLE VIII

The first Board of Directors shall consist of eight members who shall serve until the first election or until their successors are elected. The names and addresses of the members of the First Board of Directors are as follows:

W. CAREY JOHNSON	P. O. Box 156, Boca Grande, Florida
B. F. HINSON	P. O. Box 158, Boca Grande, Florida
LAURA SPRAGUE	P. O. Box 68, Boca Grande, Florida
F. A. GATES, JR.	P. O. Box 327, Boca Grande, Florida
BOWEN ADDISON	P. O. Box 244, Boca Grande, Florida
TERRY K. HARGIS	P. O. Box 22, Boca Grande, Florida
WYMAN MILLER	P. O. Box 278, Boca Grande, Florida
JOSEPH JUNWAIN	P. O. Box 454, Boca Grande, Florida

STATE OF FLORIDA
COUNTY OF LEE

Be it remembered, that on this 6th day of Sept, 1966, personally appeared before me, a notary public in and for the State of Florida, W. CAREY JOHNSON, B. F. HINSON, LAURA SPRAGUE, P. A. GATES, JR., ~~HOWARD HODGSON, SEBASTIAN HODGSON~~ and WYMAN MILLER, known to me personally to be the individuals who executed the foregoing Articles of Incorporation and acknowledged that they executed said Articles of Incorporation as the act and deed of the signers, respectively, and the facts therein stated are truly set forth.

Given under my hand and seal the day and year aforesaid.

/S/ E. M. Whaley

Notary Public

State of Florida at large

NOTARY PUBLIC, STATE OF FLORIDA at LARGE
MY COMMISSION EXPIRES AUG. 28, 1970
BONDED THROUGH FRED W. DIESTELHORST

My Commission Expires:

(Notary Seal)

ARTICLE IX

The by-laws of the corporation shall be made and may be altered or rescinded by a vote of a majority of the membership.

ARTICLE X

Amendments to these Articles of Incorporation may be proposed to the board of directors by a majority vote of the members of the corporation. A majority of the members of the board of directors may approve, amend, or reject such proposals and shall have final authority to adopt any amendment.

ARTICLE XI

The assets and income of this non-profit corporation shall be utilized to promote its purposes. No salaries or fees shall be paid to the directors or officers of this corporation, but nothing herein shall prevent the hiring of employees or engaging of others to perform services for the corporation or to prevent the reimbursement of any person who makes outlays for the reasonable expenses of the corporation.

IN WITNESS WHEREOF, we have made and subscribed these Articles of Incorporation, this 6th day of September, 1966.

/S/ W. Carey Johnson

W. Carey Johnson

/S/ B. F. Hinson

B. F. Hinson

/S/ Laura Sprague

Laura Sprague

/S/ P. A. Gates, Jr.

P. A. Gates, Jr.

/S/ Wyman Miller

Wyman Miller

BY LAWS
OF
GASPARILLA ISLAND WATER ASSOCIATION, INC.

ARTICLE I

General Purposes

The purpose for which this corporation is formed, and the powers which it may exercise are set forth in the Charter of the corporation.

ARTICLE II

Name and Location

Section 1. The name of this corporation is GASPARILLA ISLAND WATER ASSOCIATION, INC. Water System.

Section 2. The principal office of this corporation shall be located in Boca Grande, Lee County, Florida, but the corporation may maintain offices and places of business at such other places within the State as the Board of Directors may determine.

ARTICLE III

Seal

Section 1. The seal of the corporation shall have inscribed thereon the name of the corporation and the year of its organization, and shall contain the words, "Corporation Not For Profit".

Section 2. The Secretary of the corporation shall have custody of the seal.

Section 3. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE IV

Fiscal Year

The fiscal year of the corporation shall begin the 1st day of January in each year.

ARTICLE V

Membership

Section 1. The holders of membership certificates of this corporation are its members. Any person having reasonable accessibility to the source of and who is in need of services provided by the water system or other services operated by the corporation and who receives the approval of the Board of Directors may be admitted to membership upon subscribing for or otherwise acquiring a membership certificate and by signing such agreements for the purchase of water as may be provided and required by the corporation; provided that no person otherwise eligible shall be permitted to subscribe for or acquire a membership of the corporation if the capacity of the corporation's water system is exhausted by the needs of its existing members. There shall be no membership fee as such.

Section 2. Each connection for the services rendered by the corporation shall entitle the subscriber for such connection to one membership certificate.

Section 3. At any meeting of the members of the corporation, each member shall be entitled to one vote only, regardless of the number of certificates of membership held, provided the member is in good standing for all certificates held.

Section 4. In case of the death of a member, or if a member ceases to be eligible for membership, or a member wilfully fails to comply with the By-laws, or Rules and Regulations of the corporation, the Board of Directors may terminate his membership by resolution of the Board. Any member whose membership is so terminated for cause, other than ceasing to be eligible, may appeal the action of the Board of Directors to the members at their next regular or special meeting.

ARTICLE VI

Membership Certificates

Section 1. This corporation shall not have capital stock, but its capital shall be represented by membership certificates.

Section 2. The membership certificate shall be issued to each holder of fully paid membership and shall be numbered consecutively, in accordance with the order of issue. Each membership certificate shall bear the following statements:

"MEMBERSHIP CERTIFICATE
IN
GASPARILLA ISLAND WATER ASSOCIATION, INC.
a non-profit corporation
incorporated under the laws
of the State of Florida

"This is to certify that _____

Address: _____

is a member of the GASPARILLA ISLAND WATER ASSOCIATION, INC. Water System, and is entitled to its services subject to the provisions of the Charter, By-Laws, and Rules and Regulations of the corporation.

"This Membership Certificate is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the Charter, By-Laws of the corporation, and amendments to the same heretofore or hereafter made.

"Transfers of Membership Certificates shall be made only upon the books of the corporation, only to persons eligible to become members, only with the approval of the Board of Directors and only when the member transferring is free from indebtedness to the corporation, all as more fully set forth in the Charter and By-Laws of the corporation.

"No member of this corporation shall be entitled to more than one vote at meetings of the members, regardless of the number of membership certificates held. Every member upon becoming a member of this corporation agrees to sign such agreement for the purchase of water from the corporation as may from time to time be provided and required by the corporation.

"WITNESS the seal of the corporation and the signature of its duly authorized officers affixed this _____ day of _____, 19____.

Secretary

President

Section 3. All transfers of membership certificates shall be made upon the books of the corporation upon surrender of the certificates covering the same by the holders thereof or by their legal representatives but only with the approval of the Board of Directors and only to persons eligible to become members and only when the transferring member is free from indebtedness to the corporation.

Section 4. Each member agrees to sign such water users agreements as the corporation shall from time to time provide and require.

Section 5. Certificates not surrendered by members upon termination of membership in the corporation shall be declared void by the Board of Directors, and upon adoption of such a resolution by the Board, the Secretary shall so note on the books of the corporation, and thereafter such membership

certificate shall be void. Lost certificates may be reissued upon direction and upon such conditions as the Board of Directors may determine.

ARTICLE VII

Meetings of Members

Section 1. The annual meeting of the members of this corporation shall be held at the Boca Grande Community Hall, Boca Grande, Florida, at 2:00 P.M. on the third Tuesday in January of each year, if not a legal holiday, or if a legal holiday, on the next business day following. The place and time of the annual meeting may be changed by the Board of Directors giving notice thereof to each member not less than ten (10) days in advance thereof.

Section 2. Special meetings of the members may be called at any time by the action of the Board of Directors and such meetings must be called by the President whenever a petition requesting such meeting is signed by at least ten per cent of the members and presented to the President or to the Board of Directors. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat except such as is specified in the notice.

Section 3. Notice of any special meeting of members of the corporation may be given by a notice mailed to each member of record, directed to the address shown upon the books of the corporation, not less than ten nor more than fifty days prior to the meeting. Such a notice shall state the day and hour, place and purpose of the special meeting. No notice of the annual meeting shall be required.

Section 4. The members present at any meeting of the members shall constitute a quorum at any meeting of the corporation for the transaction of business, provided, however, there are not less than 15 members in good standing present. There shall be no voting by proxy.

Section 5. Directors of this corporation shall be elected at the annual meeting of the members. No cumulative voting shall be allowed.

Section 6. The order of business at the regular meetings and, so far as possible at all other meetings, shall be:

1. Calling to order and report of Secretary as to number present.
2. Proof of notice of meeting, if required.
3. Reading and action on any unapproved minutes.
4. Reports of officers and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE VIII

Directors and Officers

Section 1. The Board of Directors of this corporation shall consist of 8 members, a majority of whom must at all times be farmers or rural residents. The directors named in the Articles of Incorporation shall serve until the first annual meeting of the members and until their successors are elected and have qualified. Four directors shall be elected for a term of one year and four directors for a term of two years. At each annual meeting thereafter, the members shall elect for a term of two years the number of directors whose terms of office have expired.

Section 2. The Board of Directors shall meet within ten days after the annual election of directors and shall elect a President and Vice-President from among themselves, and a Secretary and a Treasurer who need not be a member of the Board of Directors, each of whom shall hold office until the next annual meeting and until the election and qualification of his successor unless sooner removed by death, resignation or for cause.

Section 3. If the office of any director becomes vacant by reason of death, resignation, retirement, disqualification or otherwise, except by removal from office, a majority of the remaining directors, though less than a quorum, shall by a majority vote, choose a successor who shall hold office until the next regular meeting of the members of the corporation at which time the members shall elect a director for the unexpired term or term provided that in the call of such regular meeting a notice of such election shall be given.

Section 4. A majority of the Board of Directors shall constitute a quorum at any meeting of the Board.

Section 5. Compensation of officers may be fixed at any regular or special meeting of the Board of Directors. Directors shall receive no compensation for their services as such.

Section 6. Officers and directors may be removed from office for good cause in the following manner: Any member, officer or director may present charges against a director or officer by filing them in writing with the Secretary of the corporation. If presented by a member, the charges must be accompanied by a petition signed by ten per cent of the members of the corporation. Such removal shall be voted on at the next regular or special meeting of the members present. The director or officer against whom such charges have been presented shall be informed in writing, of such charges five days prior to the meeting; the person or persons presenting such charges shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses and the person against whom the charges are made shall have the same opportunity. If the removal of a director is approved, such action shall also vacate any other office held by

the removed director in the corporation. A vacancy in any office thus created shall be filled by the directors from among their number so constituted after the vacancy in the Board has been filled.

ARTICLE IX

Duties of Directors

Section 1. The Board of Directors subject to restrictions of law, the Charter, or these By-laws, shall exercise all of the powers of the corporation, and, without prejudice to or limitation upon their general powers, it is hereby expressly provided that the Board of Directors shall have, and are hereby given, full power and authority (to be exercised by resolution duly adopted by the Board) in respect to the matters and as hereinafter set forth:

- a. To pass upon the qualifications of members, and to cause to be issued appropriate certificates of membership.
- b. To select and appoint all officers, agents or employees of the corporation or remove such agents or employees of the corporation for just cause, prescribe such duties and designate such powers as may not be inconsistent with these by-laws, fix their compensation and pay for faithful services.
- c. To borrow from any source, money, goods or services and to make and issue notes and other negotiable and transferrable instruments, mortgages, deeds of trust, and trust agreements and to do every act and thing necessary to effectuate the same.
- d. To prescribe, adopt and amend, from time to time, such equitable uniform rules and regulations as, in their discretion, may be deemed necessary, or convenient for the conduct of the business and affairs of the corporation and the guidance and control of its officers and employees, and to prescribe penalties for the breach thereof.
- e. To order, at least once each year, an audit of the books and accounts of the corporation by a competent certified public accountant. The report prepared by such accountant shall be submitted to the members of the corporation at their annual meeting, together with a proposed budget for the ensuing year. Copies of such audits and budgets shall be submitted to any parties as may be required by other agreements.
- f. To fix the charges, rates and connection fees, to be paid by each member for services rendered by the corporation to him, the time of payment and the manner of collection.

- g. To require all officers, agents and employees charged with responsibility for the custody of any of the funds of the corporation to give adequate bonds, the cost thereof to be paid by the corporation, and it shall be mandatory upon the directors to so require.
- h. To select one or more banks or savings and loan associations, to act as depositories of the funds of the corporation and to determine the manner of receiving, depositing, and disbursing the funds of the corporation and the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks or savings and loan associations and the person or persons signing such checks and the form thereof at will, except that no bank or savings and loan association may be so designated unless such deposits are protected by an agency of the United States of America, such as the Federal Deposit Insurance Corporation or similar agency.
- i. With the approval of the majority of the members present at any regular or special meeting, to levy assessments against the membership certificates of the corporation and to enforce the collection of such assessments by the forfeiture of delinquent certificates. The Board of Directors shall have the option to declare forfeited any membership certificate on which assessment has not been paid, at any time after ninety days from the date the assessment was due, provided that the corporation must give the member at least thirty days written notice at the address of the member on the books of the corporation, of its intention to forfeit the certificate if the assessment is not paid. No personal liability shall be placed upon any member because of any assessment beyond the value of the membership certificate, and enforceable only against the membership certificate.

ARTICLE X

Duties of Officers

Section 1. Duties of President. The president shall preside over all meetings of the corporation and the Board of Directors, call special meetings of the members and of the Board of Directors, perform all acts and duties usually performed by an executive and presiding officer, and sign all membership certificates and such other papers of the corporation as he may be authorized or directed to sign by the Board of Directors, provided the Board of Directors may authorize any person to sign any

or all checks, contracts and other instruments in writing on behalf of the corporation. The President shall perform such other duties as may be prescribed by the Board of Directors.

Section 2. Duties of the Vice-President. In the absence or disability of the President, the Vice-President shall perform the duties of the President; provided, however, that in case of death, resignation or disability of the President, the Board of Directors may declare the office of President vacant and elect a successor.

Section 3. Duties of the Secretary. The Secretary shall keep a complete record of all meetings of the corporation and of the Board of Directors and shall have general charge and supervision of the books and records of the corporation. He shall sign all membership certificates with the President and such other papers pertaining to the corporation as he may be authorized or directed to do so by the Board of Directors. He shall serve all notices required by law and by these by-laws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting. He shall keep the corporate seal and membership certificates, records of the corporation, complete and countersign all certificates issued and affix said corporate seal to all papers requiring seal. He shall keep a proper membership certificate record, showing the name of each member of the corporation, address and date of issuance, surrender, cancellation or forfeiture. He shall make all reports required by law and shall perform such other duties as may be required of him by the corporation or the Board of Directors. Upon the election of his successor, the Secretary shall turn over to him all books and other property belonging to the corporation that he may have in his possession.

Section 4. Duties of the Treasurer. The Treasurer shall have the care and custody of and be responsible for all the funds and securities of the corporation, and deposit all such funds in the name of the corporation in such bank or banks, trust company or trust companies or safe deposit vaults as the Board of Directors may designate. He shall sign, make, and endorse in the name of the corporation, all checks, drafts, warrants and orders for the payment of money and pay out and dispose of same and receipt therefor, under the direction of the President or the Board of Directors. He shall exhibit at all reasonable times his books and accounts to any director or stockholder of the corporation upon application at the office of the corporation during business hours. He shall render a statement of the condition of the finances of the corporation at each regular meeting of the Board of Directors, and at such other times as shall be required of him, and a full financial report, at the annual meeting of the stockholders. He shall keep at the office of the corporation, correct books of account of all its business and transactions and such other books of account as the Board of Directors may require. He shall do and perform all duties appertaining to the office of Treasurer.

ARTICLE XI

Benefits and Duties of Members

Section 1. The corporation will install, maintain and operate a main distribution pipe line or lines from the source of water supply and service lines from the main distribution pipe line or lines to the property line of each member of the corporation at which points, designated as delivery points, meters to be purchased, installed, owned and maintained by the corporation shall be placed. The cost of the service line from its main distribution line or lines, shall be paid by the corporation. The corporation will also purchase and install a cut-off valve in each service line from its main distribution line or lines, such cut-off valve to be owned and maintained by the corporation and to be installed on some portion of the service line owned by the corporation. The corporation shall have the sole and exclusive right to use such cut-off valve to turn it on and off.

Section 2. Each member shall be entitled to purchase from the corporation, pursuant to such agreements as may from time to time be provided and required by the corporation, such water for domestic, commercial, agricultural, industrial or other purposes as a member may desire, subject, however, to the provisions of these by-laws and to such rules and regulations as may be prescribed by the Board of Directors. Each member shall be entitled to have delivered to him through a single service line only such water as may be necessary to supply the needs of such member, including his family, business, agricultural or industrial requirements. The water delivered through each service line shall be metered and the charges for such water shall be determined separately, irrespective of the number of service lines owned by a member.

Section 3. In the event the total water supply shall be insufficient to meet all of the needs of the members or in the event there is a shortage of water, the corporation may prorate the water available among the various members on such basis as is deemed equitable by the Board of Directors, and may also prescribe a schedule of hours covering use of water for commercial, agricultural or industrial purposes by particular members and require adherence thereto or prohibit the use of water for commercial, agricultural or industrial purposes; provided that if at any time the total water supply shall be insufficient to meet all of the needs of all of the members for domestic, livestock, commercial, agricultural or industrial purposes, the corporation must first satisfy all of the members for domestic purposes before supplying any water for livestock purposes and must satisfy all of the needs of all of the members for domestic and livestock purposes before supplying any water for commercial and industrial purposes.

Section 4. The Board of Directors shall, with the consent of the Farmers Home Administration, so long as it shall either hold or guarantee any financing of the System, prior to the

beginning of each calendar year, determine the flat minimum monthly rate to be charged each member during the following calendar year for a specified quantity of water, such flat minimum monthly rate to be payable irrespective of whether any water is used by a member during any month, and the amount of additional charges, if any, for additional water which may be supplied to the members, shall fix the date for the payment of such charges, and shall notify each member of the amount of such charges and the dates for the payment thereof. A member to be entitled to the delivery of water shall pay such charges at the office designated by the corporation at or prior to the dates fixed by the Board of Directors. The failure to pay water charges duly imposed shall result in the automatic imposition of the following penalties:

- a. Nonpayment within ten days from the due date will be subject to a penalty of ten (10) percent of the delinquent account.
- b. Nonpayment within thirty days from the due date will result in the water being shut off from the member's property.
- c. Nonpayment for sixty days after original due date will allow the corporation, in addition to all other rights and remedies to cancel the member's membership certificate and terminate his membership, and, in such event the member shall not be entitled to receive, nor the corporation obligated to supply, any water under this agreement.

Section 5. The Board of Directors shall be authorized to require each member to enter into water users agreements which shall embody the principles set forth in the foregoing sections of this article.

ARTICLE XII

Distribution of Surplus Funds

Section 1. It is not anticipated that there will be any net income. If there should be any, then at the end of the fiscal year, after paying the expenses of the corporation for operation and otherwise, and after setting aside reserves for depreciation on all buildings, equipment and office fixtures and such other reserves as the Board of Directors may deem proper and after providing for payment on interest and principal of obligations and amortized debts of the corporation, and after providing for the purchase of proper supplies and equipment, the net earnings shall be accumulated in a surplus fund for the purpose of replacing, enlarging, extending and repairing the system and property of the corporation and for such other purposes as the Board of Directors may determine to be for the best interests of the corporation.

ARTICLE XIII

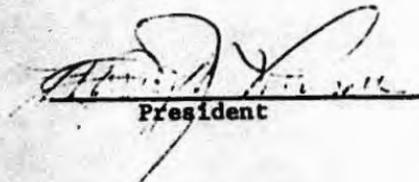
Amendments

Section 1. These by-laws may be repealed or amended by a vote of a majority of the members present at any regular meeting of the corporation, or at any special meeting of the corporation called for that purpose, except that so long as any indebtedness is held by or guaranteed by the Farmers Home Administration, the members shall not have the power to change the purposes of the corporation so as to decrease its rights and powers under the laws of the state, or to waive any requirement of bond or other provision for the safety and security of the property and funds of the corporation or its members, or so to amend the by-laws as to effect a fundamental change in the policies of the corporation without the prior approval of the Farmers Home Administration in writing. Notice of any amendment to be made at a special meeting of the members must be given at least ten days before such meeting and must set forth the amendments to be considered.

We certify that the foregoing By-Laws were duly adopted by the members on SEPTEMBER 15, 1966, and that the same are in full force and effect and have not been amended.

Given under our hands and the seal of the corporation, this 15th day of SEPTEMBER, 1966.

Secretary



President

GASPARILLA ISLAND WATER ASSOCIATION, INC.

SEPTEMBER 30, 1993

Return of Organization Exempt From Income Tax
Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) charitable trust

OMB No. 1545-0047
1992
This Form is Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Note: The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the calendar year 1992, or fiscal year beginning 10-1, 1992, and ending 9-30, 1993

Please use IRS label or print or type. See Specific Instructions.	B Name of organization Gasparilla Island Water Assoc., Inc.	C Employer identification number 59 1204602
	Number and street (or P.O. box if mail is not delivered to street address) Room/suite Post Office Box 326	D State registration number N/A
	City, town, or post office, state, and ZIP code Boca Grande, FL 33921	E If address changed, check box <input type="checkbox"/>

F Check type of organization—Exempt under section 501(c)(12) (insert number), OR section 4947(a)(1) charitable trust

H(a) Is this a group return filed for affiliates? Yes No
(b) If "Yes," enter the number of affiliates for which this return is filed: _____

(c) Is this a separate return filed by an organization covered by a group ruling? Yes No

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if it received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

Note: Form 990EZ may be used by organizations with gross receipts less than \$100,000 and total assets less than \$250,000 at end of year.

Part I Statement of Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue	1 Contributions, gifts, grants, and similar amounts received:						
	a Direct public support	1a					
	b Indirect public support	1b					
	c Government grants	1c					
	d Total (add lines 1a through 1c) (attach schedule—see instructions)	1d					
	2 Program service revenue (from Part VII, line 93)	2					1,741,554
	3 Membership dues and assessments (see instructions)	3					1,380
	4 Interest on savings and temporary cash investments	4					4,936
	5 Dividends and interest from securities	5					
	6a Gross rents	6a		5,050			
	b Less: rental expenses	6b					
	c Net rental income or (loss)	6c					5,050
7 Other investment income (describe _____)	7						
Revenue	8a Gross amount from sale of assets other than inventory	(A) Securities		(B) Other			
	b Less: cost or other basis and sales expenses	8a		-0-			
	c Gain or (loss) (attach schedule)	8b		9,675			
	d Net gain or (loss) (combine line 8c, columns (A) and (B))	8c		(9,675)			(9,675)
8d Net gain or (loss) (combine line 8c, columns (A) and (B))	8d						
9 Special fundraising events and activities (attach schedule—see instructions):							
a Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a						
b Less: direct expenses	9b						
c Net income	9c						
Revenue	10a Gross sales less returns and allowances	10a					
	b Less: cost of goods sold	10b					
	c Gross profit or (loss) (attach schedule)	10c					
11 Other revenue (from Part VII, line 103)	11					125	
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12					1,743,370	
Expenses	13 Program services (from line 44, column (B)) (see instructions)	13					1,576,669
	14 Management and general (from line 44, column (C)) (see instructions)	14					305,995
	15 Fundraising (from line 44, column (D)) (see instructions)	15					
	16 Payments to affiliates (attach schedule—see instructions)	16					
	17 Total expenses (add lines 13 and 14, column (A))	17					1,882,664
Net Assets	18 Excess or (deficit) for the year (subtract line 17 from line 12)	18					(139,294)
	19 Net assets or fund balances at beginning of year (from line 74, column (A))	19					4,995,033
	20 Other changes in net assets or fund balances (attach explanation)	20					52,473
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21					4,908,212

Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and 4947(a)(1) charitable trusts but optional for others. (See instructions.)

Table with 5 columns: Description, (A) Total, (B) Program services, (C) Management and general, (D) Fundraising. Rows include items like Grants and allocations, Salaries and wages, Pension plan contributions, etc., totaling 1,882,664 in column (A).

Reporting of Joint Costs.—Did you report in column (B) (Program services) any joint costs from a combined educational campaign and fundraising solicitation? [] Yes [] No
If "Yes," enter (i) the aggregate amount of these joint costs \$; (ii) the amount allocated to program services \$; (iii) the amount allocated to management and general \$; and (iv) the amount allocated to fundraising \$.

Part III Statement of Program Service Accomplishments (See instructions.)

Table with 2 columns: Description of program service, Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts; optional for others.). Row a: The Association provides water and sewer services to approximately 1,200 users on Gasparilla Island. (Grants and allocations \$) N/A

Part IV Balance Sheets

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year
Assets				
45	Cash—non-interest-bearing	17,820	45	132,208
46	Savings and temporary cash investments	181,315	46	478,619
47a	Accounts receivable			
	b Less: allowance for doubtful accounts	152,926	47c	153,152
48a	Pledges receivable			
	b Less: allowance for doubtful accounts		48c	
49	Grants receivable		49	
50	Receivables due from officers, directors, trustees, and key employees (attach schedule)		50	
51a	Other notes and loans receivable (attach schedule)			
	b Less: allowance for doubtful accounts		51c	
52	Inventories for sale or use	26,866	52	28,189
53	Prepaid expenses and deferred charges	99,924	53	170,672
54	Investments—securities (attach schedule)		54	
55a	Investments—land, buildings, and equipment: basis			
	b Less: accumulated depreciation (attach schedule)		55c	
56	Investments—other (attach schedule)		56	
57a	Land, buildings, and equipment: basis	12,354,230		
	b Less: accumulated depreciation (attach schedule)	3,583,848		
		8,941,205	57c	8,770,382
58	Other assets (describe ► <u>utility deposits</u>)	18,500	58	18,500
59	Total assets (add lines 45 through 58) (must equal line 75)	9,438,556	59	9,751,722
Liabilities				
60	Accounts payable and accrued expenses	92,773	60	160,229
61	Grants payable		61	
62	Support and revenue designated for future periods (attach schedule)		62	
63	Loans from officers, directors, trustees, and key employees (attach schedule)		63	
64	Mortgages and other notes payable (attach schedule)	4,350,750	64	4,683,281
65	Other liabilities (describe ►)		65	
66	Total liabilities (add lines 60 through 65)	4,443,523	66	4,843,510
Fund Balances or Net Assets				
Organizations that use fund accounting, check here ► <input type="checkbox"/> and complete lines 67 through 70 and lines 74 and 75 (see instructions).				
67a	Current unrestricted fund		67a	
	b Current restricted fund		67b	
68	Land, buildings, and equipment fund		68	
69	Endowment fund		69	
70	Other funds (describe ►)		70	
Organizations that do not use fund accounting, check here ► <input checked="" type="checkbox"/> and complete lines 71 through 75 (see instructions).				
71	Capital stock or trust principal		71	
72	Paid-in or capital surplus	4,826,047	72	4,765,160
73	Retained earnings or accumulated income	168,986	73	143,052
74	Total fund balances or net assets (add lines 67a through 70 OR lines 71 through 73: column (A) must equal line 19 and column (B) must equal line 21)	4,995,033	74	4,908,212
75	Total liabilities and fund balances/net assets (add lines 66 and 74)	9,438,556	75	9,751,722

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes the organization's programs and accomplishments.

Part V List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated. See instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans	(E) Expense account and other allowances
Charles Smylie Boca Grande, FL	President 2 hours	-0-	-0-	-0-
Robert Young Boca Grande, FL	Vice President 2 hours	-0-	-0-	-0-
James Crawford, Jr. Boca Grande, FL	Treasurer 2 hours	-0-	-0-	-0-
John Wiener, Jr. Boca Grande, FL	Secretary 2 hours	-0-	-0-	-0-

Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? Yes No
If "Yes," attach schedule (see instructions).

Part VI Other information

Note: Section 501(c)(3) organizations and section 4947(a)(1) trusts must also complete and attach Schedule A (Form 990).

	Yes	No
76 Did the organization engage in any activity not previously reported to the Internal Revenue Service? If "Yes," attach a detailed description of each activity.		X
77 Were any changes made in the organizing or governing documents, but not reported to the IRS? If "Yes," attach a conformed copy of the changes.		X
78a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		X
b If "Yes," has it filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year?	N/A	
c At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership? If "Yes," complete Part IX.		X
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? (See instructions.) If "Yes," attach a statement as described in the instructions.		X
80a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or non-exempt organization? (See instructions.)		Y
b If "Yes," enter the name of the organization: _____ and check whether it is <input type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt.		
81a Enter amount of political expenditures, direct or indirect, as described in the instructions. 81a		
b Did the organization file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year?	N/A	
82a <input checked="" type="checkbox"/> the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. See instructions for reporting in Part III. 82b		
83a Did anyone request to see either the organization's annual return or exemption application (or both)?		X
b If "Yes," did the organization comply as described in the instructions? (See General Instruction L.)	N/A	
84a Did the organization solicit any contributions or gifts that were not tax deductible?		X
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? (See General Instruction M.)	N/A	
85a Section 501(c)(5) or (6) organizations.—Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums? (See instructions and Regulations section 1.162-20(c).)		N/A
b If "Yes," enter the total amount spent for this purpose. 85b		
86 Section 501(c)(7) organizations.—Enter:		
a Initiation fees and capital contributions included on line 12	N/A	
b Gross receipts, included on line 12, for public use of club facilities (see instructions)	N/A	
c Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion? (If "Yes," attach statement. See instructions.)	N/A	
87 Section 501(c)(12) organizations.—Enter amount of:		
a Gross income received from members or shareholders	1,742,934	
b Gross income received from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)	10,111	
88 Public interest law firms.—Attach information described in the instructions.		
89 List the states with which a copy of this return is filed: NONE		
90 During this tax year did the organization maintain any part of its accounting / tax records on a computerized system?	X	
91 The books are in care of: Bonnie Ballinger Telephone no. (813) 964-2423 Located at: Boca Grande, FL ZIP code 33921		
92 Section 4947(a)(1) charitable trusts filing Form 990 in lieu of Form 1041, U.S. Fiduciary Income Tax Return, should check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year. 92		

Part VII Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.	Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income (See instructions.)
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	
93 Program service revenue:					
(a) <u>Water/sewer service</u>					1,741,554
(b) _____					
(c) _____					
(d) _____					
(e) _____					
(f) _____					
(g) Fees from government agencies					
94 Membership dues and assessments					1,380
95 Interest on savings and temporary cash investments					4,936
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
(a) debt-financed property					
(b) not debt-financed property					5,050
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	(9,675)	
101 Net income from special fundraising events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: (a) _____					125
(b) _____					
(c) _____					
(d) _____					
(e) _____					
104 Subtotal (add columns (b), (d), and (e))				(9,675)	1,753,045
105 TOTAL (add line 104, columns (b), (d), and (e))					1,743,370

Note: (Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.)

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes

Line No.	Explain how each activity for which income is reported in column (e) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes). (See instructions.)
93-95	The Association maintained and operated a water and sewage disposal system for approximately 1,200 users on Gasparilla Island.
97b, 103	

Part IX Information Regarding Taxable Subsidiaries (Complete this Part if the "Yes" box on 78c is checked.)

Name, address, and employer identification number of corporation or partnership	Percentage of ownership interest	Nature of business activities	Total income	End-of-year assets

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer: Walter J. Suplee Date: 1/16/94 Title: PRESIDENT

Paid Preparer's Use Only

Preparer's signature: Norman J. Shea / mw Date: 12-13-93 Check if self-employed

Firm's name (or yours if self-employed) and address: Suplee & Shea, P.A. ZIP code: 34236
1770 Wood St., Sarasota, Florida

GASPARILLA ISLAND WATER ASSOC., INC.
 FORM 990 SCHEDULE 1
 59-1204602

=====

PAGE 1, PART I, LINE 20

OTHER CHANGES IN NET ASSETS OR FUND BALANCE 51,473
 (CAPITAL CONTRIBUTIONS RECEIVED FROM
 DEVELOPERS AND MEMBERS)

=====

PAGE 2
 PART II, LINE 42 & PART IV,
 LINE 57B

	COST	A/D 9/30/93	DEPRECIATION
LAND	237,482		
OFFICE BUILDING	62,336	25,648	2,300
FURNITURE & FIXTURES	37,458	23,723	4,189
TOOLS	49,898	25,858	4,963
TRUCKS & TRACTORS	91,624	71,398	6,743
UTILITY PLANT	11,713,772	3,437,221	389,730
CONSTRUCTION IN PROGRESS	161,660		
	12,354,230	3,583,848	407,925

=====

PAGE 4, PART V
 LIST OF OFFICERS & DIRECTORS

		COMPENSATION
MERRITT DARNA BOCA GRANDE, FL	DIRECTOR	NONE
DONALD MILLER BOCA GRANDE, FL	DIRECTOR	NONE
ROBERT PFOPLS BOCA GRANDE, FL	DIRECTOR	NONE
MARK SHEVITSKI BOCA GRANDE, FL	DIRECTOR	NONE
DANIEL CAMPO BOCA GRANDE, FL	DIRECTOR	NONE
BONNIE BALLINGER BOCA GRANDE, FL	DIRECTOR	NONE
DARRELL POLK BOCA GRANDE, FL	DIRECTOR	NONE

GASPARILLA ISLAND WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS FOR THE
YEARS ENDED SEPTEMBER 30, 1993 AND 1992

AND

INDEPENDENT AUDITOR'S REPORT

GASPARILLA ISLAND WATER ASSOCIATION, INC.

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FINANCIAL STATEMENTS

SEPTEMBER 30, 1993 AND 1992

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Independent Auditor's Report

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

We have audited the accompanying balance sheets of Gasparilla Island Water Association, Inc., as of September 30, 1993, and 1992, and the related statements of revenues and expenses, changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Governmental Auditing Standards issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our 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, 1993, and 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules on pages 11 through 12 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Suplee & Shea, P.A.

SUPLEE & SHEA, P.A.

November 11, 1993

GASPARILLA ISLAND WATER ASSOCIATION, INC.

BALANCE SHEETS

SEPTEMBER 30, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
<u>Assets</u>		
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment, at cost	\$12,192,570	\$12,030,068
Less accumulated depreciation	<u>3,583,848</u>	<u>3,175,923</u>
Net Property, Plant and Equipment	8,608,722	8,854,145
CONSTRUCTION IN PROGRESS	161,660	87,060
RESTRICTED ASSETS, cash and equivalents	447,569	199,135
OTHER ASSETS	<u>138,770</u>	<u>68,282</u>
	<u>9,356,721</u>	<u>9,208,622</u>
CURRENT ASSETS		
Cash and equivalents	163,258	-0-
Accounts receivable, trade	153,152	151,682
Inventory	28,189	26,866
Other current assets	<u>50,402</u>	<u>51,386</u>
Total Current Assets	<u>395,001</u>	<u>229,934</u>
TOTAL ASSETS	<u>\$ 9,751,722</u>	<u>\$ 9,438,556</u>
<u>Fund Equity and Liabilities</u>		
FUND EQUITY	\$ 4,908,212	\$ 4,995,033
LONG-TERM DEBT	4,586,481	4,263,750
DEPOSITS PAYABLE FROM RESTRICTED ASSETS	<u>31,006</u>	<u>28,105</u>
	<u>9,525,699</u>	<u>9,286,888</u>
CURRENT LIABILITIES		
Accounts payable, trade	93,009	41,364
Accounts payable, contractors	13,493	14,412
Current portion of long-term debt	96,800	87,000
Other current liabilities	<u>22,721</u>	<u>8,892</u>
Total Current Liabilities	<u>226,023</u>	<u>151,668</u>
TOTAL FUND EQUITY AND LIABILITIES	<u>\$ 9,751,722</u>	<u>\$ 9,438,556</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
Operating Revenues		
Water services	\$ 1,004,396	\$ 853,719
Sewer services	701,950	570,026
Water hook-up fee	10,220	11,265
Sewer hook-up fee	8,160	8,160
Billing fee	<u>16,828</u>	<u>28,436</u>
Total Operating Revenues	<u>1,741,554</u>	<u>1,471,606</u>
Operating Expenses		
Water and sewer	817,968	815,654
General and administrative	364,821	322,295
Depreciation and amortization	<u>373,910</u>	<u>337,010</u>
Total Operating Expenses	<u>1,556,699</u>	<u>1,474,959</u>
Operating Income (Loss)	<u>184,855</u>	<u>(3,353)</u>
Nonoperating Revenues (Expenses)		
Rental income	5,050	4,750
Interest income	4,936	20,000
Interest expense	(262,875)	(271,000)
Membership fees	1,380	1,400
Gain (Loss) on disposal of assets	(9,675)	40
Other income	125	530
Consulting fee	<u>(2,200)</u>	<u>(2,400)</u>
Total Nonoperating Expenses	<u>(263,259)</u>	<u>(246,647)</u>
NET LOSS	<u>\$ (78,404)</u>	<u>\$ (250,000)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT



GASPARILLA ISLAND WATER ASSOCIATION, INC.
 STATEMENTS OF CHANGES IN FUND EQUITY
 FOR THE YEARS ENDED SEPTEMBER 30, 1993 AND 1992

	<u>Contributed Capital in Aid of Construction</u>	
	<u>Members' Contributions</u>	<u>Developers' Contributions</u>
Balances, September 30, 1991	\$ 3,051,363	\$ 1,744,074
Contributions received	53,930	37,570
Amortization of contributed capital - developers	-0-	(60,890)
Transfer to (from) appropriated	-0-	-0-
Net income (loss)	<u>-0-</u>	<u>-0-</u>
Balances, September 30, 1992	3,105,293	1,720,754
Contributions received	52,473	-0-
Amortization of contributed capital - developers	-0-	(60,890)
Transfer to (from) appropriated	-0-	-0-
Net income (loss)	<u>-0-</u>	<u>-0-</u>
Balances, September 30, 1993	<u>\$ 3,157,766</u>	<u>\$ 1,659,864</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

Retained Earnings

<u>Appropriated</u>	<u>Unappropriated</u>	<u>Total</u>
\$ 323,411	\$ 95,575	\$ 5,214,423
-0-	-0-	91,500
-0-	-0-	(60,890)
(149,599)	149,599	-0-
<u>-0-</u>	<u>(250,000)</u>	<u>(250,000)</u>
173,812	(4,826)	4,995,033
-0-	-0-	52,473
-0-	-0-	(60,890)
242,751	(242,751)	-0-
<u>-0-</u>	<u>(78,404)</u>	<u>(78,404)</u>
\$ <u>416,563</u>	\$ <u>(325,981)</u>	\$ <u>4,908,212</u>

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
Cash flows from operating activities:		
Net Loss	\$ (78,404)	\$ (250,000)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	373,910	337,010
(Gain) Loss on disposal of assets	9,675	(40)
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(1,470)	(29,606)
(Increase) decrease in inventory	(1,323)	(3,925)
(Increase) decrease in other current assets	984	(9,184)
Increase (decrease) in accounts payable	50,726	(52,317)
Increase (decrease) in other liabilities	13,829	(1,777)
(Increase) decrease in other assets	(79,416)	(49,782)
Increase (decrease) in deposits from restricted assets	<u>2,901</u>	<u>2,781</u>
Total adjustments	<u>369,816</u>	<u>193,160</u>
Net cash provided by operating activities	<u>291,412</u>	<u>(56,840)</u>
Cash flows from investing activities:		
Capital expenditures	(264,724)	(306,273)
Proceeds from sale of assets	<u>-0-</u>	<u>1,400</u>
Net cash used in investing activities	<u>(264,724)</u>	<u>(304,873)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(103,261)	(75,174)
Proceeds from long-term debt	435,792	-0-
Contributed capital in aid of construction	<u>52,473</u>	<u>53,930</u>
Net cash provided by (used in) financing activities	<u>385,004</u>	<u>(21,244)</u>
Increase (decrease) in cash and cash equivalents	411,692	(382,957)
Less: cash transferred from (to) restricted funds	<u>(248,434)</u>	<u>149,599</u>
Net increase (decrease) in cash and cash equivalents	163,258	(233,358)
Cash and cash equivalents at beginning of year	<u>-0-</u>	<u>233,358</u>
Cash and cash equivalents at end of year	<u>\$ 163,258</u>	<u>\$ -0-</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1993 AND 1992

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

Accounts Receivable

No provision has been made for uncollectible accounts, as management considers all receivables at September 30, 1993, and 1992, to be collectible.

Inventory

Supplies inventory is recorded at the lower of cost (first-in, first-out) or market.

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, 1993, and 1992, the Association's entire gross income has come under Section 115(a) and, therefore, includes no unrelated business income.

Property, Plant and Equipment

Property, plant and equipment 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 property, plant and equipment is computed on the straight-line basis over the estimated useful lives of the related assets.

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.

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.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1993 AND 1992

Supplemental Schedule of Noncash Investing Activities

The Association received contributed sewer and utility lines from developers for the years ended September 30, 1993, and 1992, as follows:

	<u>1993</u>	<u>1992</u>
Contributed property by developer	\$ -0-	\$ 37,570

Note 2 - Property, Plant and Equipment

Details of property, plant and equipment at September 30, 1993, and 1992, are as follows:

	<u>1993</u>	<u>1992</u>
Land	\$ 237,482	\$ 237,482
Utility plant in service	11,713,772	11,553,310
Automotive equipment	91,624	91,624
Office building	62,336	62,336
Office furniture and fixtures	37,458	37,458
Tools	<u>49,898</u>	<u>47,858</u>
	12,192,570	12,030,068
Less accumulated depreciation	<u>3,583,848</u>	<u>3,175,923</u>
	<u>\$ 8,608,722</u>	<u>\$ 8,854,145</u>

Note 3 - Capitalization of Interest

The Association follows the policy of capitalizing interest as a component of the cost of property, plant and equipment constructed for its own use. Total interest incurred was \$262,875 and \$271,710, of which \$-0- and \$-0- was capitalized in 1993 and 1992, respectively.

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

Note 4 - Restricted Assets

A summary of restricted cash and equivalents at September 30, 1993, and 1992, is as follows:

	<u>1993</u>	<u>1992</u>
Collateral for letter of credit	\$ 50,000	\$ 50,000
Reserve for Farmers Home Administration	358,613	121,030
Reserve for CoBank	7,950	-0-
Customer deposits	<u>31,006</u>	<u>26,105</u>
	<u>\$447,569</u>	<u>\$199,135</u>

Although the restricted assets are not physically segregated from unrestricted assets, bookkeeping accounts have been established for restricted assets.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1993 AND 1992

Note 5 - Long-Term Debt

Following is a summary of long-term debt at September 30, 1993, and 1992:

	<u>1993</u>	<u>1992</u>
Note payable to Farmers Home Administration, currently payable in monthly installments of \$5,223, including interest at 9%, maturing on November 6, 2025.	\$ 646,195	\$ 652,437
Various notes payable to Farmers Home Administration, currently payable in monthly installments of \$16,441, including interest at 5%, maturing over the next 15 to 30 years.	2,332,910	2,419,159
Note payable to Farmers Home Administration, interest only payments required until August 1, 1992, payable in monthly installments beginning September, 1992, of \$8,220, including interest at 7.125%, maturing on August 1, 2030.	1,268,384	1,279,154
Note payable to CoBank in the principal sum of up to \$866,376. Amortization begins April 20, 1994, for 240 monthly periods of approximately equal payments, including interest at 7.34%.	<u>435,792</u> 4,683,281	<u>0</u> 4,350,750
Less current maturities	<u>96,800</u> <u>\$4,586,481</u>	<u>87,000</u> <u>\$4,263,750</u>

Following are maturities of long-term debt for each of the next five years:

1994	\$ 96,800
1995	107,100
1996	113,100
1997	119,400
1998	126,100
Thereafter	<u>4,120,781</u> <u>\$4,583,281</u>

The notes payable to FHA are collateralized by the following liens and provisions.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1993 AND 1992

Note 5 - Long-Term Debt (continued)

- Reserve for Farmers Home Administration (Note 7)
- Lien on all real estate owned by the Association
- Lien on the interest of the Association on all easements, rights-of-way, and similar property rights obtained in connection with facilities financed by the Farmers Home Administration.

Note 6 - 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, 1993, and 1992, 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, 1993, and 1992, were \$18,380 and \$19,425, 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 equity. These contributions are being amortized on a straight-line basis over the estimated useful lives of forty years. This amortization is being charged to the related equity account and amounted to \$60,890 for each of the years ended September 30, 1993, and 1992.

Note 7 - Reserves for Farmers Home Administration

The Association's loan agreements with the Farmers Home Administration require a reserve be established and funded yearly at 10% of the annual payment until this account reaches the amount of one annual payment or approximately \$358,000. The reserve fund balances at September 30, 1993, and 1992, were \$358,613 and \$121,030, respectively.

The money accumulated can be used only (1) in the case of an unforeseen catastrophe to the property, (2) for making extensions or improvements to the facility, or (3) for making principal and interest payments.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1993 AND 1992

Note 8 - Simplified Employee Pension Plan

The Association has a simplified employee pension plan for employees with 3 or more years of service. The Association's contribution may be 0% to 15% of the compensation of each participant. Contributions to the plan were \$13,742 and \$9,899 for the years ended September 30, 1993, and 1992, respectively.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

DIRECT EXPENSES

YEARS ENDED SEPTEMBER 30, 1993 AND 1992

	-----1993-----		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Purchased water	\$ 30,729	\$ -0-	\$ 30,729
Maintenance of system and repairs	70,027	59,229	129,256
Electricity	139,041	55,467	194,508
Chemicals	75,907	84,636	160,543
Lab fees	35,763	23,311	59,074
Salaries, operations	<u>143,285</u>	<u>100,573</u>	<u>243,858</u>
	<u>\$494,752</u>	<u>\$323,216</u>	<u>\$817,968</u>

	-----1992-----		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Purchased water	\$ 62,341	\$ -0-	\$ 62,341
Maintenance of system and repairs	127,386	43,879	171,265
Electricity	127,967	50,683	178,650
Chemicals	53,215	81,742	134,957
Lab fees	32,524	11,479	44,003
Salaries, operations	<u>135,481</u>	<u>88,957</u>	<u>224,438</u>
	<u>\$538,914</u>	<u>\$276,740</u>	<u>\$815,654</u>

GASPARILLA ISLAND WATER ASSOCIATION, INC.

GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED SEPTEMBER 30, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
Auto and truck expenses	\$ 11,676	\$ 12,088
General repairs and maintenance	9,394	9,836
Insurance	117,799	122,367
Miscellaneous	5,174	3,779
Office supplies and postage	12,216	12,780
Pension plan	13,742	9,899
Professional fees	70,280	30,458
Salaries, office	85,783	81,220
Taxes, payroll	30,891	28,276
Telephone	7,002	6,000
Contract labor	<u>864</u>	<u>5,592</u>
	<u>\$ 364,821</u>	<u>\$ 322,295</u>

Independent Auditor's Report on Internal Control Structure

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

We have audited the financial statements of Gasparilla Island Water Association, Inc. (a nonprofit organization) for the year ended September 30, 1993, and have issued our report thereon dated November 11, 1993.

We conducted our audits in accordance with generally accepted auditing standards and 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 of material misstatement.

In planning and performing our audit of the financial statements of Gasparilla Island Water Association, Inc., for the year ended September 30, 1993, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure.

The management of Gasparilla Island Water Association, Inc., is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors, irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories.

- Cash
- Revenue and receivables
- Expenses and accounts payable (including payroll)
- Property and equipment
- Debt and other liabilities
- Governmental Financial Assistance Programs

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors and management, of Gasparilla Island Water Association, Inc. However, this report is a matter of public record, and its distribution is not limited.



SUPLEE AND SHEA, P.A.

Sarasota, Florida
November 11, 1993

Independent Auditor's Report on
Compliance with Laws and Regulations

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

We have audited the financial statements of Gasparilla Island Water Association, Inc. (a nonprofit organization) as of and for the year ended September 30, 1993, and have issued our report thereon dated November 11, 1993.

We conducted our audits in accordance with generally accepted auditing standards and 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 of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Gasparilla Island Water Association, Inc., is the responsibility of Gasparilla Island Water Association, Inc.,'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Gasparilla Island Water Association, Inc.,'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

We also considered those compliance matters regarding types of services allowed or unallowed, reporting, and special tests and provisions comprehended in Attachment J of U.S. Department of Agriculture, Farmers Home Administration Audit Program handbook, dated December, 1989.

The results of our tests of compliance indicate that, with respect to the items tested, Gasparilla Island Water Association, Inc., in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that Gasparilla Island Water Association, Inc., had not complied, in all material respects, with those provisions.

This report is intended for the information of the Board of Directors and management, of Gasparilla Island Water Association, Inc. However, this report is a matter of public record, and its distribution is not limited.

Suplee & Shea, P.A.

SUPLEE AND SHEA, P.A.

Sarasota, Florida
November 11, 1993