

LEE COUNTY BOARD OF COUNTY COMMISSIONERS  
AGENDA ITEM SUMMARY

BLUE SHEET NO: 20030194-UTL

1. REQUESTED MOTION:

ACTION REQUESTED:

Conduct Public Hearing and adopt a Resolution approving Petition from Gasparilla Island Water Association, Inc. (GIWA) to adjust its water and sewer rates.

WHY ACTION IS NECESSARY:

As the franchising authority for this not-for-profit utility, Board approval is required for the approval of any modifications to its rates.

WHAT ACTION ACCOMPLISHES:

Provides required Board approval for GIWA to adjust its water and sewer rates.

2. DEPARTMENTAL CATEGORY: 10 - UTILITIES  
COMMISSION DISTRICT #: 1

5:00 #3

3. MEETING DATE:

03-11-2003

4. AGENDA:

- CONSENT
- ADMINISTRATIVE
- APPEALS
- PUBLIC
- WALK ON
- TIME REQUIRED: 10 Min.

5. REQUIREMENT/PURPOSE:

(Specify)

- STATUTE
- ORDINANCE
- ADMIN. CODE
- OTHER Rate Increase

6. REQUESTOR OF INFORMATION:

- A. COMMISSIONER: \_\_\_\_\_
- B. DEPARTMENT: Lee County Public Works
- C. DIVISION/SECTION: Utilities Division
- BY: Rick Diaz, Utilities Director

DATE: 2/19/03

7. BACKGROUND:

On July 5, 1967 (and February 25, 1970), the Board of County Commissioners granted a franchise to Gasparilla Island Water Association, Inc. (GIWA). As the franchising authority for this not-for-profit utility, Board approval is required for all future changes in the rates or franchise area.

GIWA requests approval of the attached Petition for Rate Adjustment and its exhibits. GIWA's last rate increase was approved by BOCC on May 19, 1993. Since that time, the area has experienced a rapid period of growth. A committee of the Board studied the need for an increase and it has been determined that a 10% increase in rates is needed at this time.

On February 25, 2003, the Board approved GIWA's Petition to adjust its water and sewer rates, and scheduled the Public Hearing for March 11, 2003.

- Attachments: Resolution  
Copy of GIWA Letter dated 2-7-03  
Copy of GIWA Petition for Rate Adjustment w/attachments

8. MANAGEMENT RECOMMENDATIONS:

9. RECOMMENDED APPROVAL

| (A)<br>DEPARTMENT<br>DIRECTOR | (B)<br>PURCH. OR<br>CONTRACTS | (C)<br>HUMAN<br>RESOURCES | (D)<br>OTHER | (E)<br>COUNTY<br>ATTORNEY   | (F)<br>BUDGET<br>SERVICES |         |         |         | (G)<br>COUNTY<br>MANAGER     |
|-------------------------------|-------------------------------|---------------------------|--------------|-----------------------------|---------------------------|---------|---------|---------|------------------------------|
|                               |                               |                           |              |                             | OA                        | OM      | Risk    | GC      |                              |
| J. Lavender<br>Date: 2/19/03  | N/A<br>Date:                  | N/A<br>Date:              | N/A<br>Date: | D. Owen<br>2/21/03<br>Date: | 2/21/03                   | 2/24/03 | 2/21/03 | 2/21/03 | J. Lavender<br>Date: 2/19/03 |

10. COMMISSION ACTION:

- APPROVED
- DENIED
- DEFERRED
- OTHER

Rec. by CoAtty  
Date: 2/21/03  
Time: 11:20 am  
Forwarded To: Budget  
2/21/03 3:15 PM

RECEIVED BY  
COUNTY ADMIN. P.M.  
2/21 3:40  
COUNTY ADMIN.  
FORWARDED TO:  
2/24

LEE COUNTY  
NOTICE OF INTENT TO ENACT A COUNTY RESOLUTION

TO WHOM IT MAY CONCERN:

NOTICE IS HEREBY GIVEN that on Tuesday, the 11<sup>th</sup> day of March, 2003, at 5:00 o'clock, p.m., in the County Commissioners' Meeting Room, Old Lee County Courthouse, 2120 Main Street, Fort Myers, Florida, the Board of County Commissioners of Lee County, Florida, will consider the enactment of a County Resolution pursuant to Chapter 125, Florida Statutes. The title of the proposed County Resolution is as follows:

**A RESOLUTION OF LEE COUNTY APPROVING THE  
PETITION OF THE GASPARILLA ISLAND WATER  
ASSOCIATION, INC. ("GIWA") UPDATING ITS  
WATER AND WASTEWATER TARIFFS WITHIN ITS  
FRANCHISE AREA OF LEE COUNTY, FLORIDA;  
PROVIDING FOR AN EFFECTIVE DATE.**

1. Copies of this Notice and the proposed Resolution are on file in the Minutes Office of the Clerk of Courts of Lee County. The public may inspect or copy the Resolution during regular business hours at the Office of Public Resources. The Minutes Office and Public Resources are located in the Courthouse Administration Building, 2115 Second Street, Fort Myers, Florida. Public Resources is located on the first floor and the Minutes Office is located on the second floor of the Courthouse Administration Building.

2. Interested parties may appear at the meeting in person or through counsel, and be heard with respect to the adoption of the proposed Resolution.

3. Anyone wishing to appeal the decision(s) made by the Board with respect to any matter considered at this meeting, will need a record of the proceedings for such appeal, and may need a verbatim record, to include all testimony and evidence upon which the appeal is to be based.

4. The Resolution shall take effect immediately upon its adoption by the Board of County Commissioners at the public hearing.

5. If you have a disability that will require special assistance or accommodations for your attendance at the public hearing, please call the Lee County Division of Public Resources at 335-2269 for information.

PLEASE GOVERN YOURSELF ACCORDINGLY.

The text of this Notice is in conformance with Section 125.66, Florida Statutes (2002), and other relevant sections of Florida law.

BOARD OF COUNTY COMMISSIONERS  
OF LEE COUNTY, FLORIDA

By: \_\_\_\_\_  
Charlie Green, Ex-Officio Clerk  
to the Board of County Commissioners  
of Lee County, Florida

APPROVED AS TO FORM:

By:  \_\_\_\_\_  
Office of the County Attorney

Ad Size: 2 x 5

Publishing Dates: 2/25/03 & 3/4/03

LEE COUNTY RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF LEE COUNTY APPROVING THE  
PETITION OF THE GASPARILLA ISLAND WATER  
ASSOCIATION, INC. ("GIWA") UPDATING ITS  
WATER AND WASTEWATER TARIFFS WITHIN ITS  
FRANCHISE AREA OF LEE COUNTY, FLORIDA;  
PROVIDING FOR AN EFFECTIVE DATE.**

WHEREAS, the GASPARILLA ISLAND WATER ASSOCIATION, INC. ("GIWA") is the present holder of a water and sewer franchise in Lee County, granted by Resolution of the Board of County Commissioners in and for Lee County, Florida, on February 25, 1970, as amended; and,

WHEREAS, GIWA has pursuant to said franchise authority, made application to the County for an Updating of its Water and Wastewater Tariffs, by petition submitted to Lee County on February 7, 2003 (Exhibit A, hereto); and,

WHEREAS, the Board of County Commissioners of Lee County, Florida, has set the said Petition for a public hearing on Tuesday, March 11, 2003, at 5:00 p.m., and caused due notice thereof to be published in the Fort Myers News-Press, copies of which said notice are attached hereto; and,

WHEREAS, a public hearing was held on Tuesday, March 11, 2003, in the Board of County Commissioners' Chambers, Fort Myers, Florida, at which time GIWA presented evidence and testimony in support of its Petition for an Updating of GIWA's Water and Wastewater Tariffs, to include the requested adjustments as stated above, and all interested parties were permitted to address the Board and to make a statement of record,

and the Board, after being fully advised in the premises, makes the following determinations;

NOW THEREFORE, be it resolved by the Board of County Commissioners of Lee County, Florida, that:

1. The revised Updated Water and Wastewater Tariffs, as proposed by GIWA in its February 7, 2003 Petition, are hereby approved and granted.
2. The revised GIWA Updated Water and Wastewater Tariffs, to include the requested adjustments as set out in paragraph 1., above, are hereby approved, and shall become effective on a date to be subsequently determined by the GIWA Board of Directors as set out in GIWA's By-Laws, not to exceed sixty (60) days from the Board of County Commissioners' adoption of this Resolution.
3. The provisions of this Resolution shall take effect immediately upon its adoption by the Board of County Commissioners at the conclusion of the public hearing.

The foregoing Resolution was offered by Commissioner \_\_\_\_\_ who moved its adoption. The motion was seconded by Commissioner \_\_\_\_\_ and, being put to a vote, the vote was as follows:

DOUGLAS ST. CERNY \_\_\_\_\_  
BOB JANES \_\_\_\_\_  
RAY JUDAH \_\_\_\_\_  
ANDREW COY \_\_\_\_\_  
JOHN E. ALBION \_\_\_\_\_

DULY PASSED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST: CHARLIE GREEN  
CLERK OF COURTS

BOARD OF COUNTY COMMISSIONERS  
OF LEE COUNTY, FLORIDA

By: \_\_\_\_\_  
Deputy Clerk

By: \_\_\_\_\_  
Chairman

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Office of the County Attorney

# GASPARILLA ISLAND WATER ASSOCIATION, Inc.

P.O. Box 326  
BOCA GRANDE, FLORIDA 33921-0326  
Telephone (941) 964-2423 Fax (941) 964-0625

February 7, 2003

Mr. Rick Diaz, Utility Director  
Utility Department  
Lee County  
P.O. Box 398  
Fort Myers, FL 33902

Re: Gasparilla Island Water Association, Inc. (GIWA)  
Petition for Rate Increase

Dear Mr. Diaz:

Enclosed are the original and twelve copies of a "Petition for Rate Adjustment for Gasparilla Island Water Association, Inc. (GIWA)" with a schedule of the existing and proposed rates for water and sewer services, certified auditor's report on the system for October 1, 2001 to September 30, 2002, budget for the period October 1, 2002 to September 30, 2003, and a copy of the minutes of the Annual Membership Meeting held on January 21, 2003 in which the membership approved the rate increase attached as exhibits.

GIWA's last rate increase was approved by Lee County Board of County Commissioners on May 19, 1993. Since that time, GIWA's service area experienced a rapid period of growth. With new connection fees and revenues from the new members, GIWA has been able to operate for ten years plus complete numerous capital projects without a rate increase. Our service area is now nearing build-out, and GIWA cannot expect connection fees to be a significant source of funds that they were during the past decade.

GIWA borrowed \$2.2 million in 2001 to help fund the construction of a deep injection well for disposal of reverse osmosis brine, and just closed a \$1.5 million loan to fund several projects as follows:

- \$300,000 for a centrifuge to dewater sludge at our wastewater treatment plant;
- \$75,000 for the replacement of two injection well pumps and electrical system at our wastewater treatment plant;
- \$60,000 for two new high service distribution pumps;
- \$500,000 for adding a fourth skid (300,000 gallons per day) to our reverse osmosis plant;
- \$250,000 for relocating our 8" and 10" water mains in Placida required to facilitate Charlotte County roadwork;
- \$300,000 for a second filter at our wastewater treatment plant.

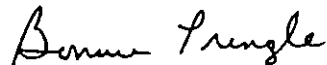
To support these borrowings, GIWA's Board of Directors determined that an increase in our water and sewer service rates is necessary. A committee of the Board studied the subject carefully during the spring and summer of 2002, and determined that a 10% increase in rates is needed at this time.

The budget included as Exhibit "C" reflects this 10% rate increase effective as of June 2003. If that additional revenue had not been included in the budget, GIWA would have a budgeted loss for this fiscal year.

With the recent rains, GIWA's revenues as of December 31, 2002 are \$45,000 below budget resulting in an operating loss of \$62,000 for the first three months of the fiscal year; therefore, we would appreciate a quick response in processing this petition.

We look forward to hearing from you concerning our public hearing date, but should you have any questions or need any additional information, please feel free to contact me.

Sincerely,



Bonnie Pringle  
General Manager

Enclosures



**PETITION  
FOR RATE ADJUSTMENT  
FOR GASPARILLA ISLAND WATER ASSOCIATION, INC.**

**The Honorable County Commission for the  
County of Lee, State of Florida**


The Gasparilla Island Water Association, inc., a corporation, not-for-profit, in the state of Florida, and having its offices at 1700 East Railroad Avenue, Boca Grande, Florida, pursuant to its franchise issued by the County of Lee on February 13, 2001 does herewith submit the following information and accompanying data to support its petition:

1. The existing and proposed rates to be charged for water and sewer services, attached herewith and labeled Exhibit "A";
2. The certified auditor's report on the system for the period October 1, 2001 to September 30, 2002, attached herewith and labeled Exhibit "B";
3. The current budget of the Association for the period October 1, 2002 to September 30, 2003, attached herewith and labeled Exhibit "C";
4. A copy of the minutes of the Annual Membership Meeting held on January 21, 2003, attached herewith and labeled Exhibit "D".

The Association will be grateful for your efforts to expedite this matter.

Respectfully submitted this 4<sup>th</sup> day of February 2003.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

By:   
\_\_\_\_\_  
Joseph L. Albertson, Jr., President

**GASPARILLA ISLAND WATER ASSOCIATION, INC.**  
**PROPOSED UTILITY RATE INCREASE**  
**APRIL 4, 2003**  
**LEE COUNTY**

| <u>Water</u>          |                   | <u>Current Rates</u> | <u>Proposed Rates</u> |
|-----------------------|-------------------|----------------------|-----------------------|
| <b>Residential</b>    |                   |                      |                       |
| 0-5,000 gallons       | Monthly Minimum   | \$18.75              | \$20.65               |
| 6,000-15,000 gallons  | Per 1,000 gallons | \$3.75               | \$4.15                |
| 16,000-25,000 gallons | Per 1,000 gallons | \$4.00               | \$4.40                |
| Over 25,000 gallons   | Per 1,000 gallons | \$5.00               | \$5.50                |
| <b>General</b>        |                   |                      |                       |
| 0-5,000 gallons       | Monthly Minimum   | \$18.75              | \$20.65               |
| Over 5,000 gallons    | Per 1,000 gallons | \$3.75               | \$4.15                |

\* Minimums apply to each single family user and each individually owned family residence in a multi-family apartment group of two or more residential units, a multi-family condominium group of two or more residential units or a mobile home park of two or more residential units. Minimums also apply to each meter of all commercial and industrial users.

| <u>Sewer</u>       |   | <u>Current Rates</u> | <u>Proposed Rates</u> |
|--------------------|---|----------------------|-----------------------|
| <b>Residential</b> |   |                      |                       |
| Base Charge        | Per Unit, Monthly                       | \$18.00              | \$19.80               |
| Usage Charge       | Per 1,000 gallons<br>10,000 gallons Cap | \$3.50               | \$3.85                |
| <b>General</b>     |   |                      |                       |
| Base Charge        | Per Unit, Monthly                       | \$18.00              | \$19.80               |
| Usage Charge       | Per 1,000 gallons<br>No Cap             | \$3.50               | \$3.85                |

**Connection Fees Per Unit (All units as defined below)**  
***No Proposed Changes to Connection Fees***

Water:

\$4,018.00 per unit plus meter as follows:

|                   |            |
|-------------------|------------|
| 5/8" x 3/4" Meter | \$ 340.00  |
| 1" Meter          | \$ 470.00  |
| 1 1/2" Meter      | \$1,175.00 |
| 2" Meter          | \$1,360.00 |
| 3" Meter          | \$2,218.00 |

Sewer:

\$2,793.00 per unit plus outlet as follows:

|           |            |
|-----------|------------|
| 4" Outlet | \$ 340.00  |
| 6" Outlet | \$2,200.00 |

A unit for purposes of assessing connection charges shall be:

- A. Each single-family residence.
- B. Each family residence of a multi-family apartment or condominium development.
- C. Each room of a motel or hotel or boatel, including a manager's apartment.
- D. Each office or store in a multiple commercial development.
- E. Large utility users such as large retail stores, car washes, laundromats, restaurants, marinas and other types of commercial users shall be assessed as units, based on water consumption at the rate of one unit per 4,000 gallons per month. Usage shall be based on the previous calendar years consumption and will be adjusted at the end of each calendar year. Usage for new customers shall be estimated for the first year and adjusted accordingly at the end of the first calendar year.

**Independent Auditors' Report**

**Fiscal Year Ended**

**September 30, 2002**

GASPARILLA ISLAND WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS FOR THE  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001

AND

INDEPENDENT AUDITORS' REPORT

GASPARILLA ISLAND WATER ASSOCIATION, INC.

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FINANCIAL STATEMENTS

SEPTEMBER 30, 2002 AND 2001

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Independent Auditors' 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, 2002, and 2001, and the related statements of revenues and expenses, changes in 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 audit 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 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, 2002, and 2001, 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.

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 13 through 14 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.

October 25, 2002

GASPARILLA ISLAND WATER ASSOCIATION, INC.

BALANCE SHEETS

SEPTEMBER 30, 2002 AND 2001

|   | <u>Assets</u>                   |                                 |
|---|---------------------------------|---------------------------------|
|   | <u>2002</u>                     | <u>2001</u>                     |
| <b>UTILITY PLANT</b>                                    |                                 |                                 |
| Property, plant and equipment, at cost                  | \$ 20,128,324                   | \$ 17,310,525                   |
| Less accumulated depreciation                           | <u>7,227,746</u>                | <u>6,792,415</u>                |
| Net property, plant and equipment                       | 12,900,578                      | 10,518,110                      |
| Construction in progress                                | <u>24,644</u>                   | <u>2,106,140</u>                |
| <br>Total Utility Plant                                 | <br><u>12,925,222</u>           | <br><u>12,624,250</u>           |
| <br><b>CURRENT ASSETS</b>                               |                                 |                                 |
| Cash and cash equivalents                               | 418,961                         | 482,795                         |
| Accounts receivable, members                            | 174,102                         | 193,765                         |
| Inventory   | 40,373                          | 32,331                          |
| Other current assets                                    | <u>2,614</u>                    | <u>46,236</u>                   |
| <br>Total Current Assets                                | <br><u>636,050</u>              | <br><u>755,127</u>              |
| <br>RESTRICTED ASSETS, cash and certificates of deposit | <br><u>162,794</u>              | <br><u>162,153</u>              |
| <br><b>DEFERRED CHARGES AND OTHER ASSETS</b>            |                                 |                                 |
| Non-marketable participation certificates               | 214,454                         | 184,382                         |
| Unamortized debt expense                                | 76,865                          | 81,363                          |
| Unamortized regulatory expenses                         | 84,458                          | 84,949                          |
| Utility deposits  | <u>6,565</u>                    | <u>6,390</u>                    |
| <br>Total Deferred Charges and Other Assets             | <br><u>382,342</u>              | <br><u>357,084</u>              |
| <br><b>TOTAL ASSETS</b>                                 | <br><b><u>\$ 14,106,408</u></b> | <br><b><u>\$ 13,898,614</u></b> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT



GASPARILLA ISLAND WATER ASSOCIATION, INC.

BALANCE SHEETS

SEPTEMBER 30, 2002 AND 2001

Equity and Liabilities

|   | <u>2002</u>          | <u>2001</u>          |
|---|----------------------|----------------------|
| <b>EQUITY</b>                             |                      |                      |
| Members' contributions                    | \$ 4,873,974         | \$ 4,846,730         |
| Developers' contributions                 | 2,054,670            | 2,148,188            |
| Retained Earnings:                        |                      |                      |
| Board designated for capital improvements | 792,615              | 766,549              |
| Restricted by governmental agencies       | 100,000              | 100,000              |
| Undesignated                              | <u>-</u>             | <u>-</u>             |
| Total Equity                              | <u>7,821,259</u>     | <u>7,861,467</u>     |
| <b>LONG-TERM LIABILITIES</b>              |                      |                      |
| Notes payable, net of current portion     | <u>5,763,669</u>     | <u>5,523,830</u>     |
| <b>CURRENT LIABILITIES</b>                |                      |                      |
| Current portion of notes payable          | 270,860              | 232,434              |
| Accounts payable, trade                   | 152,173              | 49,300               |
| Accounts payable, construction            | -                    | 131,171              |
| Accrued interest                          | 26,159               | 29,953               |
| Accrued wages                             | 5,835                | 3,329                |
| Other current liabilities                 | <u>3,659</u>         | <u>4,977</u>         |
| Total Current Liabilities                 | <u>458,686</u>       | <u>451,164</u>       |
| Deposits payable from restricted assets   | <u>62,794</u>        | <u>62,153</u>        |
| Total Liabilities                         | <u>6,285,149</u>     | <u>6,037,147</u>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>       | <u>\$ 14,106,408</u> | <u>\$ 13,898,614</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF REVENUE AND EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

|  | <u>2002</u>      | <u>2001</u>       |
|--|------------------|-------------------|
| Operating Revenue                                  |                  |                   |
| Water services                                     | \$ 1,485,509     | \$ 1,465,872      |
| Sewer services                                     | 971,639          | 975,624           |
| Water hook-up fees                                 | 6,085            | 21,805            |
| Sewer hook-up fees                                 | <u>2,040</u>     | <u>6,460</u>      |
| Total Operating Revenues                           | <u>2,465,273</u> | <u>2,469,761</u>  |
| Operating Expenses                                 |                  |                   |
| Water system                                       | 707,578          | 709,561           |
| Sewer system                                       | 579,945          | 512,741           |
| General and administrative                         | 384,426          | 356,114           |
| Depreciation                                       | <u>492,935</u>   | <u>472,871</u>    |
| Total Operating Expenses                           | <u>2,164,884</u> | <u>2,051,287</u>  |
| Operating Income                                   | <u>300,389</u>   | <u>418,474</u>    |
| Other Revenues (Expenses)                          |                  |                   |
| Interest income                                    | 11,320           | 27,534            |
| Patronage dividends                                | 49,269           | 35,195            |
| Interest expense and amortization of debt expenses | (310,587)        | (315,387)         |
| Membership fees                                    | 360              | 1,200             |
| Gain (Loss) on disposal of assets                  | (35,454)         | (12,204)          |
| Other income                                       | 13,169           | 11,832            |
| Consulting fee                                     | <u>(2,400)</u>   | <u>(2,400)</u>    |
| Total Other Revenues (Expenses)                    | <u>(274,323)</u> | <u>(254,230)</u>  |
| EXCESS OF REVENUE OVER EXPENSES                    | <u>\$ 26,066</u> | <u>\$ 164,244</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

|  | <u>Contributed Capital<br/>in Aid of Construction</u> |                                      |                              |                     |
|--|---|--------------------------------------|------------------------------|---------------------|
|  | <u>Members'<br/>Contributions</u>                     | <u>Developers'<br/>Contributions</u> | <u>Retained<br/>Earnings</u> | <u>Total</u>        |
| Balance, September 30, 2000                  | \$ 4,598,498  | \$ 2,241,706                         | \$ 702,305                   | \$ 7,542,509        |
| Contributions received                       | 248,232   | -                                    | -                            | 248,232             |
| Amortization of developers'<br>Contributions | -   | (93,518)                             | -                            | (93,518)            |
| Excess of Revenues over Expenses             | <u>-</u>  | <u>-</u>                             | <u>164,244</u>               | <u>164,244</u>      |
| Balance, September 30, 2001                  | 4,846,730   | 2,148,188                            | 866,549                      | 7,861,467           |
| Contributions received                       | 27,244  | -                                    | -                            | 27,244              |
| Amortization of developers'<br>Contributions | -   | (93,518)                             | -                            | (93,518)            |
| Excess of Revenues over Expenses             | <u>-</u>  | <u>-</u>                             | <u>26,066</u>                | <u>26,066</u>       |
| Balance, September 30, 2002                  | <u>\$ 4,873,974</u>                                   | <u>\$ 2,054,670</u>                  | <u>\$ 892,615</u>            | <u>\$ 7,821,259</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

|   | <u>2002</u>      | <u>2001</u>        |
|---|------------------|--------------------|
| Cash flows from operating activities:   |                  |                    |
| Excess of Revenues over Expenses  | \$ 26,066        | \$ 164,244         |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: |                  |                    |
| Depreciation  | 492,935          | 472,871            |
| Amortization  | 29,174           | 31,493             |
| (Gain) Loss on disposal of assets   | 35,454           | 12,204             |
| Patronage equity distributions  | (30,072)         | (24,636)           |
| Changes in assets and liabilities   |                  |                    |
| (Increase) decrease in accounts receivable  | 19,663           | (37,586)           |
| (Increase) decrease in inventory  | (8,042)          | (2,576)            |
| (Increase) decrease in other current assets   | 43,622           | (16,672)           |
| (Increase) decrease in unmaortized debt expenses  | -                | (33,503)           |
| (Increase) decrease in unmaortized regulatory expenses  | (24,185)         | (9,379)            |
| (Increase) decrease in unamortized utility deposits   | (175)            | -                  |
| Increase (decrease) in accounts payable   | (28,298)         | (31,547)           |
| Increase (decrease) in other liabilities  | (2,606)          | (108,072)          |
| Increase (decrease) in deposits payable from restricted assets  | <u>641</u>       | <u>1,603</u>       |
| Total adjustments   | <u>528,111</u>   | <u>254,200</u>     |
| Net cash provided by operating activities   | <u>554,177</u>   | <u>418,444</u>     |
| Cash flows from investing activities:   |                  |                    |
| Cash proceeds from sale of assets   | -                | 500                |
| Capital expenditures  | <u>(922,880)</u> | <u>(2,248,404)</u> |
| Net cash used in investing activities   | <u>(922,880)</u> | <u>(2,247,904)</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

GASPARILLA ISLAND WATER ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

|  | <u>2002</u>       | <u>2001</u>       |
|--|-------------------|-------------------|
| Cash flows from financing activities:                |                   |                   |
| Proceeds from issuance of long-term debt             | 524,645           | 1,675,356         |
| Repayment of long-term debt                          | (246,379)         | (206,105)         |
| Contributed capital in aid of construction           | <u>27,244</u>     | <u>248,232</u>    |
| Net cash provided by (used in) financing activities  | <u>305,510</u>    | <u>1,717,483</u>  |
| Increase (decrease) in cash and cash equivalents     | (63,193)          | (111,977)         |
| Less: cash transferred from (to) restricted funds    | <u>(641)</u>      | <u>(1,603)</u>    |
| Net increase (decrease) in cash and cash equivalents | (63,834)          | (113,580)         |
| Cash and cash equivalents at beginning of year       | <u>482,795</u>    | <u>596,375</u>    |
| Cash and cash equivalents at end of year             | <u>\$ 418,961</u> | <u>\$ 482,795</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002 AND 2001

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, 2002, and 2001, 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, 2002, and 2001, the Association's entire gross income has come under Section 115(a) and, therefore, includes no unrelated business income.

**Utility Plant**

Utility plant is recorded at cost at the time of acquisition or commencement of service for assets transferred from construction in progress. Maintenance and repairs, which significantly extend the life or enhance the value of an asset, are capitalized. Depreciation of utility plant is computed on the straight-line basis over the estimated useful lives of the related assets.

**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.

**Reclassifications**

Certain items in the prior year's financial statements have been reclassified to conform to current year presentation.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002 AND 2001

Note 2 - Utility Plant

Details of utility plant at September 30, 2002, and 2001, are as follows:

|                               | <u>2002</u>         | <u>2001</u>         |
|-------------------------------|---------------------|---------------------|
| Land                          | \$ 393,728          | \$ 393,728          |
| Utility plant in service      | 19,442,533          | 16,627,292          |
| Automotive equipment          | 112,493             | 112,493             |
| Office building               | 62,336              | 62,336              |
| Office furniture and fixtures | 47,295              | 46,785              |
| Tools                         | <u>69,939</u>       | <u>67,891</u>       |
|                               | 20,128,324          | 17,310,525          |
| Less accumulated depreciation | <u>7,227,746</u>    | <u>6,792,415</u>    |
|                               | 12,900,578          | 10,518,110          |
| Construction in progress      | <u>24,644</u>       | <u>2,106,140</u>    |
|                               | <u>\$12,925,222</u> | <u>\$12,624,250</u> |

Note 3 - Capitalization of Interest

The Association follows the policy of capitalizing interest as a component of the cost of utility plant constructed for its own use. Total interest incurred was \$321,281 for 2002, and \$350,850 for 2001, of which \$15,192 and \$35,463 was capitalized in 2002, and 2001, 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, 2002, and 2001, is as follows:

|                                 | <u>2002</u>       | <u>2001</u>       |
|---------------------------------|-------------------|-------------------|
| Collateral for letter of credit | \$ 100,000        | \$ 100,000        |
| Customer deposits               | <u>62,794</u>     | <u>62,153</u>     |
|                                 | <u>\$ 162,794</u> | <u>\$ 162,153</u> |

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002 AND 2001

Note 5 - Long-Term Debt

Following is a summary of long-term debt at September 30, 2002, and 2001:

|   | <u>2002</u>         | <u>2001</u>         |
|---|---------------------|---------------------|
| Mortgage note payable to National Bank for Cooperatives, in the original aggregate principal amount of \$6,166,000. Interest payable monthly under variable and fixed rate options, currently ranging from 4.162% to 7.92%. Principal repayable in 288 consecutive monthly installments beginning July 20, 1995 and ending June 20, 2019. Secured by all accounts, inventory, equipment, land, buildings and improvements, structures and income. | \$ 3,873,344        | \$ 4,080,908        |
| Mortgage note payable to National Bank for Cooperatives, in the original principal amount of \$2,200,000. Interest payable monthly under variable and fixed rate options, currently 4.162%. Principal repayable in 240 consecutive monthly installments beginning January 20, 2002 and ending December 20, 2021. Secured by all accounts, inventory, equipment, land, buildings and improvements, structures and income.                          | <u>2,161,185</u>    | <u>1,675,356</u>    |
| Total   | 6,034,529           | 5,756,264           |
| Less current maturities   | <u>(270,860)</u>    | <u>(232,434)</u>    |
|   | <u>\$ 5,763,669</u> | <u>\$ 5,523,830</u> |

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

|            |                     |
|------------|---------------------|
| 2003       | \$ 270,860          |
| 2004       | 276,393             |
| 2005       | 282,314             |
| 2006       | 288,661             |
| 2007       | 295,447             |
| Thereafter | <u>4,620,854</u>    |
|            | <u>\$ 6,034,529</u> |



GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002 AND 2001

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, 2002, and 2001, 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, 2002, and 2001, were \$8,125 and \$28,265, respectively.

System facilities constructed by land developers, which are contributed to the Association, are recorded at an amount equal to the construction cost incurred by the developer. The cost of these contributions is recorded as property and plant with an equal and corresponding credit to contributed capital in aid of construction. These contributions are being amortized on a straight-line basis over their estimated useful lives. This amortization is being charged to the related equity account and amounted to \$93,518 and \$93,518 for each of the years ended September 30, 2002, and 2001, respectively.

Note 7 - 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 \$43,860 and \$42,306 for the years ended September 30, 2002, and 2001, respectively.

Note 8 - Statement of Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. However, restricted assets will not be considered highly liquid debt instruments for these purposes.

The Association paid cash for interest in the amount of \$325,075 and \$350,191 for the years ended September 30, 2002, and 2001, respectively.

The Association received Class B - Participation Certificates from CoBank as a patronage equity distribution in the amount of \$30,072 and \$24,636 for the years ended September 30, 2002, and 2001, respectively.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002 AND 2001

Note 9 - Concentrations of Credit Risk

The Association has a portion of cash deposits invested in CoBank's overnight cash investment service account. Cash deposits in the account are not secured, or insured by the FDIC, however, CoBank is a member of the Farm Credit system and is backed by an implied guarantee of the U.S. Government. The Association's balance in this account was \$396,688 and \$492,087 as of September 30, 2002, and 2001, respectively.

In addition, cash deposits at financial institutions are not secured, or insured by the FDIC in amounts greater than \$100,000. As of September 30, 2002, the Association has \$84,966 in excess of this amount.

Note 10 - Non-marketable Participation Certificates

The Association receives patronage distributions from CoBank. A portion of the distributions are made in cash and the remainder of the distributions are made in Class B Participation Certificates in CoBank. The certificates are issued at par value and are not marketable. They are redeemable by CoBank when the Association reaches certain debt levels. The balances of the certificates were \$214,454 and \$184,832 as of September 30, 2002, and 2001, respectively.

Note 11 - Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments, none of which are held or issued for trading purposes:

Cash and cash equivalents – The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term obligations – The bank note payable has an interest rate that is comparable to the current rates available to the Association for debt of the same remaining maturities, and their carrying amounts approximate their fair value.

Other Financial Instruments – The carrying amounts of all other current accounts receivable, accounts payable and refundable deposits are assumed to approximate their fair values.

GASPARILLA ISLAND WATER ASSOCIATION, INC.

WATER AND SEWER SYSTEM OPERATING EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

|  | <u>2002</u>           | <u>2001</u>           |
|--|-----------------------|-----------------------|
| <u>Water System Operating Expenses</u>     |                       |                       |
| Purchased water                            | \$ 40,429             | \$ 1,962              |
| Operations and maintenance                 | 92,460                | 145,273               |
| Regulatory expenses - permits              | 2,110                 | 7,612                 |
| Electricity                                | 146,315               | 165,023               |
| Chemicals                                  | 92,713                | 100,767               |
| Lab fees                                   | 22,619                | 16,182                |
| Salaries and payroll taxes                 | 244,696               | 216,417               |
| Pensions and employee benefits             | 65,468                | 53,544                |
| Training                                   | <u>768</u>            | <u>2,781</u>          |
| <br>Total Water System Operating Expenses  | <br><u>\$ 707,578</u> | <br><u>\$ 709,561</u> |
| <br><u>Sewer System Operating Expenses</u> |                       |                       |
| Operations and maintenance                 | \$ 207,134            | \$ 128,900            |
| Regulatory expenses - permits              | 22,566                | 22,566                |
| Electricity                                | 48,779                | 67,964                |
| Chemicals                                  | 61,749                | 55,986                |
| Lab fees                                   | 18,688                | 15,386                |
| Salaries and payroll taxes                 | 182,624               | 180,353               |
| Pensions and employee benefits             | 36,846                | 40,800                |
| Training                                   | <u>1,559</u>          | <u>786</u>            |
| <br>Total Sewer System Operating Expenses  | <br><u>\$ 579,945</u> | <br><u>\$ 512,741</u> |

GASPARILLA ISLAND WATER ASSOCIATION, INC.

GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

|  | <u>2002</u>           | <u>2001</u>           |
|--|-----------------------|-----------------------|
| <u>General &amp; Administrative Expenses</u> |                       |                       |
| Auto and truck expenses                      | \$ 18,088             | \$ 20,268             |
| General repairs and maintenance              | 18,086                | 21,648                |
| Insurance                                    | 69,972                | 62,722                |
| Miscellaneous                                | 10,549                | 4,841                 |
| Office supplies and postage                  | 18,322                | 16,406                |
| Professional fees - accounting               | 9,195                 | 9,141                 |
| Professional fees - engineering              | 48,819                | 7,766                 |
| Professional fees - legal                    | 8,174                 | 4,213                 |
| Salaries and payroll taxes, office           | 134,728               | 172,751               |
| Pensions and employee benefits, office       | 33,286                | 30,111                |
| Telephone                                    | 14,072                | 6,247                 |
| Training                                     | <u>1,135</u>          | <u>-</u>              |
| <br>Total Water System Operating Expenses    | <br><u>\$ 384,426</u> | <br><u>\$ 356,114</u> |

# Gasparilla Island Water Association, Inc.

## Budget

October 1, 2002 - September 30, 2003

|   | <u>2002</u><br><u>Actual</u> | <u>2003</u><br><u>Budget</u> |
|---|------------------------------|------------------------------|
| Operating Revenues                                |                              |                              |
| Water services                                    | \$ 1,485,509                 | \$ 1,548,800                 |
| Sewer services                                    | 971,639                      | 1,015,725                    |
| Water hook-up fees                                | 6,085                        | 2,820                        |
| Sewer hook-up fees                                | <u>2,040</u>                 | <u>2,040</u>                 |
| Total Operating Revenues                          | <u>2,465,273</u>             | <u>2,569,385</u>             |
| Operating Expenses                                |                              |                              |
| Water System, schedule attached                   | 707,578                      | 732,560                      |
| Sewer System, schedule attached                   | 579,945                      | 563,215                      |
| General and administrative, schedule attached     | 384,426                      | 392,550                      |
| Depreciation                                      | <u>492,935</u>               | <u>570,000</u>               |
| Total Operating Expenses                          | <u>2,164,884</u>             | <u>2,258,325</u>             |
| Operating Income                                  | 300,389                      | 311,060                      |
| Other Revenues (Expenses)                         |                              |                              |
| Interest Income                                   | 11,320                       | 10,000                       |
| Patronage dividends                               | 49,269                       | 45,000                       |
| Interest expense and amortization of debt expense | (310,587)                    | (370,500)                    |
| Membership fees                                   | 360                          | 360                          |
| Gain (Loss) on disposal of assets                 | (35,454)                     | -                            |
| Other income                                      | 13,169                       | 10,000                       |
| Consulting fee                                    | <u>(2,400)</u>               | <u>(2,400)</u>               |
| Total Other Revenues (Expenses)                   | <u>(274,323)</u>             | <u>(307,540)</u>             |
| *EXCESS OF REVENUES OVER EXPENSES                 | <u>\$ 26,066</u>             | <u>\$ 3,520</u>              |

\* Any Excess of Revenues Over Expenses will be put into a reserve fund for capital improvements.

## Schedule of Operating Expenses

|  | <b>2002</b>                  | <b>2003</b>                  |
|--|------------------------------|------------------------------|
|  | <b><u>Actual</u></b>         | <b><u>Budget</u></b>         |
| <b>Water System Operating Expenses</b>                 |                              |                              |
| Purchased Water  | \$ 40,429                    | \$ 25,000                    |
| Operations and maintenance                             | 92,460                       | 90,000                       |
| Regulatory expense - permits                           | 2,110                        | 2,110                        |
| Electricity  | 146,315                      | 155,000                      |
| Chemicals  | 92,713                       | 100,000                      |
| Lab fees   | 22,619                       | 23,000                       |
| Salaries and payroll taxes                             | 244,696                      | 260,220                      |
| Pensions and employee benefits                         | 65,468                       | 75,730                       |
| Training   | <u>768</u>                   | <u>1,500</u>                 |
| <br><b>Total Water System Operating Expenses</b>       | <br><b><u>\$ 707,578</u></b> | <br><b><u>\$ 732,560</u></b> |
| <br><b>Sewer System Operating Costs</b>                |                              |                              |
| Operations and maintenance                             | \$ 207,134                   | \$ 150,000                   |
| Regulatory expenses - permits                          | 22,566                       | 21,670                       |
| Electricity  | 48,779                       | 53,000                       |
| Chemicals  | 61,749                       | 61,000                       |
| Lab fees   | 18,688                       | 22,000                       |
| Salaries and payroll taxes                             | 182,624                      | 200,415                      |
| Pensions and employee benefits                         | 36,846                       | 53,630                       |
| Training   | <u>1,559</u>                 | <u>1,500</u>                 |
| <br><b>Total Sewer System Operating Costs</b>          | <br><b><u>\$ 579,945</u></b> | <br><b><u>\$ 563,215</u></b> |
| <br><b>General &amp; Administrative Expenses</b>       |                              |                              |
| Auto and truck expenses                                | \$ 18,088                    | \$ 21,500                    |
| General repairs and maintenance                        | 18,086                       | 18,500                       |
| Insurance  | 69,972                       | 98,000                       |
| Miscellaneous  | 10,549                       | 8,000                        |
| Office supplies and postage                            | 18,322                       | 20,500                       |
| Professional fees - accounting                         | 9,195                        | 10,000                       |
| Professional fees - engineering                        | 48,819                       | 25,000                       |
| Professional fees - legal                              | 8,174                        | 10,000                       |
| Salaries and payroll taxes, office                     | 134,728                      | 133,790                      |
| Pensions and employee benefits, office                 | 33,286                       | 32,260                       |
| Training, office                                       | 1,135                        | 1,000                        |
| Telephone  | <u>14,072</u>                | <u>14,000</u>                |
| <br><b>Total General &amp; Administrative Expenses</b> | <br><b><u>\$ 384,426</u></b> | <br><b><u>\$ 392,550</u></b> |

**Minutes of**  
**Annual Membership Meeting**  
**January 21, 2003**

**Attachment "D"**

# GASPARILLA ISLAND WATER ASSOCIATION, Inc.

P.O. Box 326  
BOCA GRANDE, FLORIDA 33921-0326  
Telephone (941) 964-2423 Fax (941) 964-0625

## MINUTES ANNUAL MEMBERSHIP MEETING BOCA GRANDE COMMUNITY CENTER JANUARY 21, 2003

**BOARD MEMBERS PRESENT:** David Dyche, Jr., President; Joseph L. Albertson, Jr., Secretary; Alfred R. Sundberg, Treasurer; Yvonne Anderson, Richard Morrison, MD., Donna Moore, and Mark Spurgeon, Directors.

**ABSENT:** Art Paterson and Oscar Linder, Directors.

**OTHERS:** Bonnie Pringle, General Manager; Donna Marceron; Kathy Janoschek;  
List of Members present attached.

Mr. Dyche called the meeting to order at 5:08 p.m.

- I. **NUMBER PRESENT:** Mr. Albertson reported that twenty-one (21) voting members were present in person and 567 by proxy.
- II. **NOTICE OF ANNUAL MEETING:** Mr. Albertson read the Notice of Annual Meeting.
- III. **MINUTES:** Motion made to waive the reading of the minutes of the January 15, 2002 Annual Membership Meeting. Motion seconded and carried.
- IV. **PRESIDENT'S REPORT:** Mr. Dyche gave the president's report as follows:

Mr. Dyche advised the members that the first half of the year we encountered drought conditions and a significant jump in consumption of water which was primarily used for irrigation. By February 2002, we were facing a demand that exceeded the association's capacity and, at times, required the purchase of water from Charlotte County Utilities.



Mr. Dyche stated that the Board of Directors initiated a major capital expenditure program to drill two (2) new deep wells, which are now in production, and increase the capacity of its reverse osmosis (R.O.) plant by adding a fourth skid (filter). With the fourth skid on line, completion scheduled for April 2003, our capacity will increase from 1.2 million gallons per day to 1.5 million gallons per day. The cost of these two investments total \$825,000.

Mr. Dyche advised the members that the output of our wastewater treatment plant is in two (2) forms, water and sludge. He explained that water goes into a pond and is used for irrigation purposes on the Gasparilla Inn golf course and its surrounding properties in exchange for the use of their property (the location of our wastewater treatment plant) at no cost to the water association.

Sludge removal from the wastewater treatment plant has been transported off island in smaller trucks (meeting the bridge weight limits) then transferred to larger trucks for delivery to sites in DeSoto County. Landowner concerns about potential pollution has led to the loss of places to conduct these truck transfers. To resolve this problem, the association is now installing a centrifuge which will allow the drying of the sludge. We will then be able to transport dried material without the need for off island transfers.

Mr. Dyche stated in addition to the fourth skid and centrifuge the following capital expenditures will be addressed in the immediate future:

- A second filter at the wastewater treatment plant to increase sewage flows and provide better maintenance to the primary filter; \$300,000
- Replacement of two (2) high service pumps at the sub-station; \$60,000
- Replacement of two (2) pumps and electrical support system at the wastewater treatment plant's injection well; \$75,000
- Relocation of 8 inch and 10 inch water mains at Coral Creek as Charlotte County moves the highway 771 bridge that passes over Coral Creek and eliminates the sharp curve; \$250,000

Mr. Dyche stated in the past we have relied on connection fees as a significant source of funds; however, as the island reaches build-out our principal source of funding will now be generated by surplus revenues, depreciation, and bank loans. Mr. Dyche advised the members that the association has borrowed from CoBank \$1.5 million to fund the capital expenditure program.

- V. FINANCIAL STATEMENTS: The membership was presented with the 2002 audited financial statements, 2003 budget, and capital improvement statement for the 2002 fiscal year.

Mr. Sundberg gave the treasurer's report on the 2002 fiscal year and 2003 budget.

- VI. ELECTION OF DIRECTORS: Mr. Dyche explained that in addition to his term, Mr. Linder's, and Mr. Albertson's terms expire this year. Mr. Dyche and Mr. Linder have served two (2) three (3) year terms and are not eligible to serve again at this time. Mr. Albertson has agreed to serve another three (3) year term. The three (3) nominees recommended by the nominating committee are as follows:

Joseph L. Albertson, Jr.  
Richard Ryan  
Peter Sanger

The nominating committee also recommends that Richard Morrison, MD., serve the remaining one (1) year of Edward Reeve's term who resigned in November 2002 to dedicate his time to other activities.

Motion to close the nominations. There being no further nominations, the nominees were unanimously approved.

- VII. PROPOSED 10% RATE INCREASE: Mr. Dyche stated to the members that in order to service the increased bank loans for the capital expenditures previously discussed, the association must increase its cash flow. A committee of the Board did a study and determined that a 10% increase in water and sewer rates would provide the funds needed. Mr. Dyche stated that there has not been an increase since 1992. At this time, the Board recommends and approves a proposed 10% increase to maintain the capital expenditure program and support the added bank borrowings.

Mr. Dyche opened the floor for questions and answers prior to the voting of the proposed 10% increase.

Mr. Dyche was asked if GIWA is governed by any government authorities concerning rate increases. Mr Dyche stated that there is no public service commission that governs our rates for the association; however, when rate increases are approved, we do file with Lee County.

Mr. Dyche was asked to review the current rates. He reviewed the current and the proposed 10% increased rates that were documented in the printed material distributed prior to the meeting.

Mr. Dyche was asked if GIWA reviews the larger consumers like the Boca Grande Club, and their high water usage. He replied that we do review and are aware of these consumers. In the past, during water restriction periods, we have had to ask them to reduce their consumption, and they have been very cooperative.

Mr. Dyche was asked if the 2003 budget reflects the 10% rate increase. He stated that it is reflected in the budget; however once the rates are approved they are filed with Lee County and will not go into effect until June which leaves only three (3) months remaining in the fiscal year.

Mr. Dyche was questioned if the county has the authority to change the rates filed for GIWA. Mrs. Pringle replied that the county has always approved the rates filed based on the fact that the membership has approved the rate change.

Mr. Dyche was asked how many members GIWA has. Mr. Dyche stated that we have 1657 units. Each unit owns membership of the association and represents one vote.

Mr. Dyche was questioned if the Boca Grande Club is counted by residents or units. Mrs. Pringle stated that each unit is counted. Each condominium is counted within each unit of the association.

Mr. Dyche was asked what the financial impact would be if the rate increase was not passed. He replied the rate increase will generate on an annual basis \$250,000. If not passed, our surplus revenues over expenses would just break even. Also, it would cause concern to our lending bank who looks at our debt services and our ability to generate cash.


Mr. Dyche was questioned if GIWA has looked into the value of the sludge. Mrs. Pringle answered that our plant does not treat and dry the sludge to the quality necessary for lawn use. The sludge would have to be treated further and that cost would be prohibited for the small size of our association.

Mr. Dyche was asked by a concerned member why water is left running from hydrants and the amount of water that is wasted. Mrs. Pringle replied when we get a lot of rain our consumption drops down and we lose our chlorine residual at the south end of the island. By flushing the hydrant, this allows us to keep chlorine in the lines. Mrs. Pringle stated that this uses approximately 50,000 gallons a day, and is a common requirement for systems using chloramines for disinfection.

Mr. Dyche was asked if other small water companies perform this same procedure. Mrs. Pringle stated that some water companies, for the same reason, flush hydrants year round.

There being no further questions, motion was made to approve the 10% increase. Motion seconded and carried.

There being no further business, meeting adjourned at 5:45 p.m.

  
\_\_\_\_\_  
Joseph L. Albertson, Jr., Secretary