

2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Balance Sheet

Assets and Other Debits

Line No. (a)	Account Title (Number) (b)	2018 Year End Balance (c)	Adjustments (d)	2018 Proformed Year End Balance (e)
UTILITY PLANT				
1	Utility Plant (101-106)	\$ 6,612,606	\$ 338,389	\$ 6,950,995
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 2,060,072	\$ (72,671)	1,987,401
3	Net Plant	\$ 4,552,534	\$ 411,060	\$ 4,963,594
4	Utility Plant Acquisition Adj. (Net) (114-115)	(79,542)		(79,542)
5	Total Net Utility Plant	\$ 4,472,992	\$ 411,060	\$ 4,884,052
OTHER PROPERTY AND INVESTMENTS				
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Investment in Associated Companies (123)			
11	Utility Investments (124)			
12	Other Investments	8,250		8,250
13	Special Funds(126-128)			
14	Total Other Property & Investments	\$ 8,250		\$ 8,250
CURRENT AND ACCRUED ASSETS				
16	Cash (131)	89,862	197,368	287,230
17	Special Deposits (132)			
18	Other Special Deposits (133)			
19	Working Funds (134)			
20	Temporary Cash Investments (135)			
21	Accounts and Notes Receivable-Net (141-144)	172,876		172,876
22	Accounts Receivable from Assoc. Co. (145)	20,579		20,579
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)	18,041		18,041
25	Stores Expense (161)			
26	Prepayments-Other (162)	29,271		29,271
27	Prepaid Taxes (163)	19,767		19,767
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)			
31	Misc. Current and Accrued Assets (174)			
32	Total Current and Accrued Assets	\$ 350,396	\$ 197,368	\$ 547,764
DEFERRED DEBITS				
32	Unamortized Debt Discount & Expense (181)	19,550	7,600	27,150
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	164,415		164,415
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)			
40	Total Deferred Debits	\$ 183,965	\$ 7,600	\$ 191,565
TOTAL ASSETS AND OTHER DEBITS				
		\$ 5,015,603	\$ 616,028	\$ 5,631,631

2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Balance Sheet

Equity Capital and Liabilities

Line No. (a)	Account Title (Number) (b)	2018 Year End Balance (c)	Adjustments (f)	2018 Proformed Year End Balance (g)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 10,000		\$ 10,000
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	1,426,322		1,426,322
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	4		4
10	Retained Earnings (214-215)	1,528,307	911	1,529,218
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 2,964,633	\$ 911	\$ 2,965,544
LONG TERM DEBT				
13	Bonds (221)	911,371	615,117	1,526,488
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	135,955		135,955
17	Total Long-Term Debt	\$ 1,047,326	\$ 615,117	\$ 1,662,443
CURRENT AND ACCRUED LIABILITIES				
18	Accounts Payable (231)	100,788		100,788
19	Notes Payable (232)	12,125		12,125
20	Accounts Payable to Associated Co. (233)			
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)			-
23	Accrued Taxes (236)	(21,680)		(21,680)
24	Accrued Interest (237)			-
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)			
27	Matured Interest (240)			
28	Misc. Current and Accrued Liabilities (241)	5,625		5,625
29	Total Current and Accrued Liabilities	\$ 96,858	\$ -	\$ 96,858
DEFERRED CREDITS				
30	Unamortized Premium on Debt (251)			
31	Advances for Construction (252)			
32	Other Deferred Credits (253)			
33	Accumulated Deferred Investment Tax Credits (255)			
Accumulated Deferred Income Taxes:				
34	Accelerated Amortization (281)			
35	Liberalized Depreciation (282)	330,000		330,000
36	Other (283)			
37	Total Deferred Credits	\$ 330,000	\$ -	\$ 330,000
OPERATING RESERVES				
39	Property Insurance Reserve (261)			
40	Injuries and Damages Reserve (262)			
41	Pensions and Benefits Reserves (263)			
42	Miscellaneous Operating Reserves (265)			
43	Total Operating Reserves			
CONTRIBUTIONS IN AID OF CONSTRUCTION				
44	Contributions In Aid of Construction (271)	899,678		899,678
45	Accumulated Amortization of C.I.A.C. (272)	322,892		322,892
46	Total Net C.I.A.C.	\$ 576,786	\$ -	\$ 576,786
46	TOTAL EQUITY CAPITAL AND LIABILITIES	\$ 5,015,603	\$ 616,028	\$ 5,631,631

2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Statement of Income

Line No. (a)	Account Title (Number) (b)	2018 Year End Balance (c)	Adjustments (e)	2018 Proformed Year End Balance (f)
UTILITY OPERATING INCOME				
1	Operating Revenues(400)	\$ 1,602,148	\$ 52,131	\$ 1,654,279
2	Operating Expenses:			
3	Operating and Maintenance Expense (401)	896,800		896,800
4	Depreciation Expense (403)	227,791	6,940	234,731
5	Amortization of Contribution in Aid of Construction (405)	(17,535)		(17,535)
6	Amortization of Utility Plant Acquisition Adjustment (406)	(7,215)		(7,215)
7	Amortization Expense-Other (407)			
8	Taxes Other Than Income (408.1-408.13)	93,360	9,512	102,872
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	149,146		149,146
10	Total Operating Expenses	\$ 1,342,347	\$ 16,452	\$ 1,358,799
11	Net Operating Income (Loss)	259,801	35,680	295,481
12	Income From Utility Plant Leased to Others (413)			
13	Gains(Losses) From Disposition of Utility Property (414)			
14	Net Water Utility Operating Income	\$ 259,801	\$ 35,680	\$ 295,481
OTHER INCOME AND DEDUCTIONS				
15	Revenues From Merchandising, Jobbing and Contract Work (415)	15,125		15,125
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)			
17	Equity in Earnings of Subsidiary Companies (418)			
18	Interest and Dividend Income (419)	10,204		10,204
19	Allow. for funds Used During Construction (420)			
20	Nonutility Income (421)			
21	Gains (Losses) Form Disposition Nonutility Property (422)			
22	Miscellaneous Nonutility Expenses (426)	(2,611)		(2,611)
23	Total Other Income and Deductions	\$ 22,718	\$ -	\$ 22,718
TAXES APPLICABLE TO OTHER INCOME				
24	Taxes Other Than Income (408.2)			
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)			
26	Total Taxes Applicable To Other Income			
INTEREST EXPENSE				
27	Interest Expense (427)	59,826	34,369	94,195
28	Amortization of Debt Discount & Expense (428)	1,382	400	1,782
29	Amortization of Premium on Debt (429)			
30	Total Interest Expense	\$ 61,208	\$ 34,769	\$ 95,977
31	Income Before Extraordinary Items	221,311	911	222,222
EXTRAORDINARY ITEMS				
32	Extraordinary Income (433)			
33	Extraordinary Deductions (434)			
34	Income Taxes, Extraordinary Items (409.3)			
35	Net Extraordinary Items			
	NET INCOME (LOSS)	\$ 221,311	\$ 911	\$ 222,222

2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Capital Structure

Line No. (a)	Account Title (Number) (b)	12/31/2018 (c)	Proforma Adjustments (d)	Proformed 12/31/2018 (e)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 10,000		\$ 10,000
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	1,426,322		1,426,322
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	4		4
10	Retained Earnings (214-215)	1,528,307	911	1,529,218
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 2,964,633	\$ 911	\$ 2,965,544
LONG TERM DEBT				
13	Bonds (221)	911,371	615,117	1,526,488
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	135,955		135,955
17	Total Long-Term Debt	\$ 1,047,326	\$ 615,117	\$ 1,662,443
Total Capitalization		\$ 4,011,959	\$ 616,028	\$ 4,627,987

Capitalization Ratios

Line No.	Account Title (Number) (a)	12/31/2018	Proforma Adjustments	Proformed 12/31/2008
EQUITY CAPITAL				
1	Common Stock Issued (201)	0.25%		0.22%
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	35.55%		30.82%
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	0.00%		0.00%
10	Retained Earnings (214-215)	38.09%	0.15%	33.04%
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	73.89%	0.15%	64.08%
LONG TERM DEBT				
13	Bonds (221)	22.72%	99.85%	32.98%
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	3.39%		2.94%
17	Total Long-Term Debt	26.11%	99.85%	35.92%
Total Capitalization		100.00%	100.00%	100.00%

2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Journal Entries				Impact on NI
JE#1	Dr. Miscellaneous Deferred Debits Cr. Cash	8,000	8,000	
To record costs associated with financing (See SPS 10)				
JE#2	Dr. Cash Cr. Other Long Term Debt	633,000	633,000	
To record receipt of cash and additional LTD (See SPS 5)				
JE#3	Dr. Plant Cr. Cash	418,000	418,000	
To record replacement of plant (See SPS 7) Note: DS expenditures were recorded in 2018.				
JE#4	Dr. Accumulated Depreciation Cr. WW Plant Cr. PS Plant - Paradise Shore Road Cr. PS Plant - Robin Lane	79,611	67,821 6,000 5,790	
To record retirement of plant Note: DS retirements were recorded in 2018.				
JE#5	Dr. Depreciation Expenses Cr. Accumulated Depreciation	6,940	6,940	(6,940)
To record first year depreciation expense and related A/D				
JE#6	Dr. Amortization of Debt Expense Cr. Miscellaneous Deferred Debt	400	400	(400)
To record amortization of debt expense (See SPS-10)				
JE#7	Dr. Other Long Debt Dr. Interest Expense Cr. Cash	17,883 34,369	52,252	(34,369)
To record first year repayment of principal and interest on \$633,000 of CoBank Note				
JE#8	Dr. Cash Cr. Revenue	52,131	52,131	52,131
JE#9	Dr. O&M Expenses Dr. Taxes other than Income Dr. Income Taxes Cr. Cash	0 9,512 0	9,512	0 (9,512) 0
To record increase in property taxes (See SPS 8)				
Total Impact on Net Income				911
Impact on Cash		685,131	487,764 197,368	

2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Preliminary Calculation of Revenue Requirement

	Dockham Shores Pumpstation	Wildwood Pumpstation	Paradise Shore Road	Robin Lane	Total
Plant Additions/Retirements:					
Plant Additions					
304 Structures	100,880	\$ 153,000			\$ 253,880
307 Wells	5,655				5,655
310 Power Generator Equipment	29,617	25,000			54,617
311 Pumping Equipment	31,449	25,000			56,449
320 Treatment Equipment		20,000			20,000
330 Tank	29,975	30,000			59,975
334 Meters	7,002	7,000			14,002
331 T&D Mains			92,000	51,000	143,000
333 Services				15,000	15,000
339 Miscellaneous Equipment	10,328				10,328
TOTAL	\$ 214,906	\$ 260,000	\$ 92,000	\$ 66,000	\$ 632,906
Plant Retirements (1)	-	67,821	6,000	5,790	79,611
Net Additions/Retirements	\$214,906	\$192,179	\$86,000	\$60,210	\$553,295
Add: Accum Depr on Retired Plant (1)	-	534	60	60	653
Less: Accum Depr on New Plant	-	(5,323)	(920)	(698)	(6,940)
Net Plant	\$214,906	\$187,390	\$85,140	\$59,572	\$547,008
Plus: Working Capital	0	0	0	0	0
Total Additional Rate Base	\$214,906	\$187,390	\$85,140	\$59,572	\$547,008
Rate of Return	5.49%	5.49%	5.49%	5.49%	5.49%
Returnn on Investment	\$ 11,804	\$ 10,293	\$ 4,677	\$ 3,272	\$ 30,046
Increase increase in Operating Expenses					\$ -
Decrease in Depreciation Expense on Retired Plant (1)	-	(1,067)	(120)	(119)	(1,306)
Increase in Depreciation Expense on New Plant	-	10,645	1,840	1,395	13,880
Taxes other than Income	3,932	4,294	749	537	9,512
Income Taxes					-
Total Increase in Operating Expenses	\$ 3,932	\$ 13,872	\$ 2,469	\$ 1,813	\$ 22,086
Increase in Revenue Required	\$15,736	\$24,165	\$7,146	\$5,085	\$52,131
Less: Estimated Increase in POASI Special Contract			(4,716)	(3,356)	(8,072)
Net Increase in Revenue Requirement	\$ 15,736	\$ 24,165	\$ 2,429	\$ 1,729	\$ 44,059
2018 Total Sales of Water Less POASI Sales					1,226,935
Total Revenue Required Less POASI Sales					1,270,994
Percentage Increase Required					3.59%

Note: DS retirements were recorded in 2018. As such, such retirements are reflected in 2018 F/S.

2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Weighted Average Cost of Capital

<u>Financing</u>	<u>Amount</u>	<u>Percent</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>Amortization of Fin Costs</u>	<u>Total Interest</u>	<u>Cost Rate</u>	<u>Weighted Average Cost of Capital</u>
CoBank	\$633,000	100.00%	5.50%	\$34,369	\$400	\$34,769	5.49%	5.49%
Total Capitalization	\$633,000	100.00%						5.49%

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2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Plant / Accumulated Depreciation / Depreciation Expense

PUC Acct. No.	Description	Cost	Depr. Rate	Annual Cost	Accum Depr.
<u>Dockham Shores Pumpstation</u>					
304	Structures	\$ 100,880	2.50%	\$ 2,522	\$ 1,261
307	Wells	5,655	3.33%	188	94
310	Power Generator Equipment	29,617	10.00%	2,962	1,481
311	Pumping Equipment	31,449	10.00%	3,145	1,572
330	Tank	29,975	2.50%	749	375
334	Meters	7,002	5.00%	350	175
339	Miscellaneous Equipment	10,328	10.00%	1,033	516
	Total	<u>\$ 214,906</u>		<u>\$ 10,949</u>	<u>\$ 5,475</u>

Note: DS expenditures went into service in 2018. As such, such amounts are reflected in the 2018 F/S.

<u>Wildwood Pumpstation</u>					
304	Structures	\$ 153,000	2.50%	\$ 3,825	\$ 1,913
310	Power Generator Equipment	25,000	10.00%	2,500	1,250
311	Pumping Equipment	25,000	10.00%	2,500	1,250
320	Treatment Equipment	20,000	3.60%	720	360
330	Tank	30,000	2.50%	750	375
334	Meters	<u>7,000</u>	5.00%	<u>350</u>	<u>175</u>
	Total	<u>\$ 260,000</u>		<u>\$ 10,645</u>	<u>\$ 5,323</u>

<u>Paradise Shores / Paradise Shores Road</u>					
331	T&D Mains	\$ 92,000	2.00%	\$ 1,840	\$ 920
	Total	<u>\$ 92,000</u>		<u>\$ 1,840</u>	<u>\$ 920</u>

<u>Paradise Shores / Robin Lane</u>					
331	T&D Mains	\$ 51,000	2.00%	\$ 1,020	\$ 510
333	Servcies	<u>15,000</u>	2.50%	<u>375</u>	<u>188</u>
	Total	<u>\$ 66,000</u>		<u>\$ 1,395</u>	<u>\$ 698</u>
	Total	<u>\$ 632,906</u>		<u>\$ 24,829</u>	<u>\$ 12,415</u>

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2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Property Taxes	Dockham	Wildwood	Paradise	Robin	Total
	Shores				Projected
	<u>Pumpstation</u>	<u>Pumpstation</u>	<u>Shore Road</u>	<u>Lane</u>	<u>Costs</u>
Total Project Costs	\$ 215,000	\$ 260,000	\$ 92,000	\$ 66,000	\$ 633,000
Accumulated Depreciation	<u>(5,475)</u>	<u>(5,323)</u>	<u>(920)</u>	<u>(698)</u>	<u>(12,415)</u>
Net Plant	<u>\$ 209,525</u>	<u>\$ 254,678</u>	<u>\$ 91,080</u>	<u>\$ 65,303</u>	<u>\$ 620,585</u>
Thousand Dollars of Assessed Value	\$ 209.53	\$ 254.68	\$ 91.08	\$ 65.30	\$ 620.59
Tax Value as % of Net Book Value	87.40%	87.40%	87.40%	87.40%	
Combined State and Local Property Tax Rate	<u>21.47</u>	<u>19.29</u>	<u>9.41</u>	<u>9.41</u>	
State Property Taxes	<u>\$ 3,932</u>	<u>\$ 4,294</u>	<u>\$ 749</u>	<u>\$ 537</u>	<u>\$ 9,512</u>
Combined State and Local Property Tax Rate:					
State	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60	
Local	<u>14.87</u>	<u>12.69</u>	<u>2.81</u>	<u>2.81</u>	
Total	<u>\$ 21.47</u>	<u>\$ 19.29</u>	<u>\$ 9.41</u>	<u>\$ 9.41</u>	

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2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Total Costs of Projects \$ 632,906

Source of Funds:

CoBank 633,000
Total Source of Funds \$ 633,000

Use of Funds:

2017 & 2018 Dockham Shores Pumpstation 215,000
2019 & 2020 Wildwood Pumpstation 260,000
2019 Paradise Shores - Water Main replacement 92,000
2019 Paradise Shores / Robin Lane Water Mains / Services Replacement 66,000
Total Use of Funds \$ 633,000

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2019 Financing with CoBank - Dockham Shores, Wildwood & Paradise Shores

Estimated Financing Costs on portion of the CoBank Loan

CoBank	\$ 4,000
Stephen P. St. Cyr & Associates	<u>4,000</u>
Total Financing Costs	\$ 8,000
Life of Loan	<u>20 Yrs.</u>
Annual Amortization Expense	<u>\$ 400</u>

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