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**CLASS "C"**

# WATER AND/OR WASTEWATER UTILITIES

(Gross Revenue of Less Than \$200,000 Each)

# ANNUAL REPORT

OF

SU648-16-AR  
Karen M. Berry  
Fairmount Utilities, the 2nd, Inc.  
3625 Valerie Blvd.  
Sebring, FL 33870-7814

Submitted To The

## STATE OF FLORIDA



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FLORIDA PUBLIC SERVICE  
COMMISSION  
2017 AUG -4 AM 8:42  
DIVISION OF  
ACCOUNTING & FINANCE

## PUBLIC SERVICE COMMISSION

FOR THE

## YEAR ENDED DECEMBER 31, 2016

## GENERAL INSTRUCTIONS

1. Prepare this report in conformity with the 1996 National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts for Water and Wastewater Utilities as adopted by Rule 25-30.115 (1), Florida Administrative Code.
2. Interpret all accounting words and phrases in accordance with the Uniform System of Accounts (USOA), Commission Rules and the definitions on the next page.
3. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
4. For any question, section, or page which is not applicable to the respondent, enter the words "Not Applicable." Do not omit any pages.
5. Where dates are called for, the month and day should be stated as well as the year.
6. All schedules requiring dollar entries should be rounded to the nearest dollar.
7. Complete this report by means which result in a permanent record. You may use permanent ink or a typewriter. Do not use a pencil.
8. If there is not enough room on any schedule, an additional page or pages may be added provided the format of the added schedule matches the format of the schedule in the report. Additional pages should reference the appropriate schedules, state the name of the utility, and state the year of the report.
9. If it is necessary or desirable to insert additional statements for the purpose of further explanation of schedules, such statements should be made at the bottom of the page or on an additional page. Any additional pages should state the name of the utility and the year of the report, and reference the appropriate schedule.
10. The utility shall file the original and two copies of the report with the Commission at the address below, and keep a copy for itself. Pursuant to Rule 25-30.110 (3), Florida Administrative Code, the utility must submit the report by March 31 for the preceding year ending December 31.

Florida Public Service Commission  
Division of Economic Regulation  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

11. Pursuant to Rule 25-30.110 (7) (a), Florida Administrative Code, any utility that fails to file its annual report or extension on or before March 31, or within the time specified by any extension approved in writing by the Division of Economic Regulation, shall be subject to a penalty. The penalty shall be based on the number of calendar days elapsed from March 31, or from an approved extended filing date, until the date of filing. The date of filing shall be included in the days elapsed.

## GENERAL DEFINITIONS

**ADVANCES FOR CONSTRUCTION** - This account shall include advances by or in behalf of customers for construction which are to be refunded either wholly or in part. (USOA)

**ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION ( AFUDC )** - This account shall include concurrent credits for allowance for funds used during construction based upon the net cost of funds used for construction purposes and a reasonable rate upon other funds when so used. Appropriate regulatory approval shall be obtained for "a reasonable rate". (Rule 25-30.116, Florida Administrative Code)

**AMORTIZATION** - The gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized. (USOA)

**CONTRIBUTIONS IN AID OF CONSTRUCTION ( CIAC )** - Any amount or item of money, services, or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement, or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public. (Section 367.021 (3), Florida Statutes)

**CONSTRUCTION WORK IN PROGRESS ( CWIP )** - This account shall include the cost of water or wastewater plant in process of construction, but not yet ready for services. (USOA)

**DEPRECIATION** - The loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in the current operation and against which the utility is not protected by insurance. (Rule 25-30.140 (i), Florida Administrative Code)

**EFFLUENT REUSE** - The use of wastewater after the treatment process, generally for reuse as irrigation water or for in plant use. (Section 367.021 (6), Florida Statutes)

**EQUIVALENT RESIDENTIAL CONNECTION (ERC) - (WATER)** - (Rule 25-30.515 (8), Florida Administrative Code)

- (a) 350 gallons per day;
- (b) The number of gallons a utility demonstrates in the average daily flow for a single family unit; or
- (c) The number of gallons which has been approved by the DEP for a single family residential unit.

**EQUIVALENT RESIDENTIAL CONNECTION (ERC) - (WASTEWATER)** - Industry standard of 80% of Water ERC or 280 gallons per day for residential use.

**GUARANTEED REVENUE CHARGE** - A charge designed to cover the utility's costs including, but not limited to the cost of the operation, maintenance, depreciation, and any taxes, and to provide a reasonable return to the utility for facilities, a portion of which may not be used and useful to the utility or its existing customers. (Rule 25-30.515 (9), Florida Administrative Code)

**LONG TERM DEBT** - All Notes, Conditional Sales Contracts, or other evidences of indebtedness payable more than one year from date of issue. (USOA)

**PROPRIETARY CAPITAL ( For proprietorships and partnerships only )** - The investment of a sole proprietor, or partners, in an unincorporated utility. (USOA)

**RETAINED EARNINGS** - This account reflects corporate earnings retained in the business. Credits would include net income or accounting adjustments associated with correction of errors attributable to a prior period. Charges to this account would include net losses, accounting adjustments associated with correction of errors attributable to a prior period or dividends. (USOA)

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# FINANCIAL SECTION

REPORT OF

Fairmount Utilities the 2<sup>nd</sup> Inc.

(EXACT NAME OF UTILITY)

3625 Valerie Blvd. | 3625 Valerie Blvd. | Highlands  
Sebring, Florida 33870 | Sebring, Florida 33870 |  
Mailing Address | Street Address | County

Telephone Number (863) 385-8542 | Date Utility First Organized 10/14/91

Fax Number \_\_\_\_\_ | E-mail Address \_\_\_\_\_

Sunshine State One-Call of Florida, Inc. Member No. FU 2127

Check the business entity of the utility as filed with the Internal Revenue Service:

Individual     Sub Chapter S Corporation     1120 Corporation     Partnership

Name, Address and Phone where records are located: 3625 Valerie Blvd. | (863) 385-8542  
Sebring, Florida 33870

Name of subdivisions where services are provided: Fairmount Mobile Estates

CONTACTS

Name	Title	Principal Business Address	Salary Charged Utility
Person to send correspondence: <u>Karen Berry</u>	<u>President</u>	<u>3625 Valerie Blvd</u>	
Person who prepared this report: <u>Pat Miller</u>	<u>Treasurer</u>	<u>3625 Valerie Blvd.</u>	
Officers and Managers: <u>Karen Berry</u> <u>Pat Miller</u>	<u>President</u> <u>Treasurer</u>	<u>3625 Valerie Blvd.</u> <u>3625 Valerie Blvd.</u>	\$ <u>6,552</u> \$ <u>8,100</u> \$ _____ \$ _____ \$ _____

Report every corporation or person owning or holding directly or indirectly 5 percent or more of the voting securities of the reporting utility:

Name	Percent Ownership in Utility	Principal Business Address	Salary Charged Utility
<u>Karen Berry</u>	<u>79%</u>	<u>3625 Valerie Blvd.</u>	\$ <u>6,552</u>
<u>William Berry</u>	<u>21%</u>	<u>3625 Valerie Blvd.</u>	\$ <u>-0-</u>
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup> Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

INCOME STATEMENT

Account Name	Ref. Page	Water	Wastewater	Other	Total Company
Gross Revenue:					
Residential -----		\$ _____	\$ <u>109,828</u>	\$ _____	\$ <u>109,828</u>
Commercial -----		_____	<u>13,384</u>	_____	<u>13,384</u>
Industrial -----		_____	_____	_____	_____
Multiple Family -----		_____	_____	_____	_____
Guaranteed Revenues -----		_____	_____	_____	_____
Other (Specify) <u>UNPAID DEBT</u> -----		_____	<u>700</u>	_____	<u>700</u>
Total Gross Revenue -----		\$ <u>-0-</u>	\$ <u>123,912</u>	\$ _____	\$ <u>123,912</u>
Operation Expense (Must tie to pages W-3 and S-3)	W-3 S-3	\$ _____	\$ <u>135,309</u>	\$ _____	\$ <u>135,309</u>
Depreciation Expense -----	F-5	_____	<u>429</u>	_____	<u>429</u>
CIAC Amortization Expense -----	F-8	_____	<u>&lt;5&gt;</u>	_____	<u>&lt;5&gt;</u>
Taxes Other Than Income -----	F-7	_____	<u>9,979</u>	_____	<u>9,979</u>
Income Taxes -----	F-7	_____	<u>-0-</u>	_____	<u>-0-</u>
Total Operating Expense		\$ <u>-0-</u>	<u>145,712</u>	_____	\$ <u>145,712</u>
Net Operating Income (Loss)		\$ <u>-0-</u>	\$ <u>&lt;21,800&gt;</u>	\$ _____	\$ <u>&lt;21,800&gt;</u>
Other Income:					
Nonutility Income -----		\$ _____	\$ _____	\$ _____	\$ _____
<u>INTEREST INCOME</u> -----		_____	<u>8</u>	_____	<u>8</u>
Other Deductions:					
Miscellaneous Nonutility Expenses -----		\$ _____	\$ _____	\$ _____	\$ _____
Interest Expense -----		_____	_____	_____	_____
Net Income (Loss)		\$ <u>-0-</u>	\$ <u>&lt;21,792&gt;</u>	\$ _____	\$ <u>&lt;21,792&gt;</u>

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	Reference Page	Current Year	Previous Year
<b>Assets:</b>			
Utility Plant in Service (101-105) -----	F-5,W-1,S-1	\$ 219,597	\$ 219,597
Accumulated Depreciation and Amortization (108) -----	F-5,W-2,S-2	212,769	212,340
Net Utility Plant -----		\$ 6,828	\$ 7,257
Cash -----		9,994	9,262
Customer Accounts Receivable (141) -----		11,944	16,345
Other Assets (Specify): -----			
<u>LOANS TO EMPLOYEES</u> -----			660
-----			
-----			
Total Assets -----		\$ 28,766	\$ 33,524
<b>Liabilities and Capital:</b>			
Common Stock Issued (201) -----	F-6	1,000	1,000
Preferred Stock Issued (204) -----	F-6		
Other Paid in Capital (211) -----		539,618	539,618
Retained Earnings (215) -----	F-6	<556,919>	<535,127>
Proprietary Capital (Proprietary and Partnership only) (218) -----	F-6		
Total Capital -----		\$ <16,301>	\$ 5,491
Long Term Debt (224) -----	F-6	\$	\$
Accounts Payable (231) -----		39,007	18,882
Notes Payable (232) -----			
Customer Deposits (235) -----			50
Accrued Taxes (236) -----		5,430	5,693
Other Liabilities (Specify) -----			
<u>PAYROLL TAXES PAYABLE</u> -----		511	2,584
<u>DUE TO KAREN BERRY</u> -----			700
-----			
Advances for Construction -----			
Contributions in Aid of Construction - Net (271-272) -----	F-8	119	124
Total Liabilities and Capital -----		\$ 28,766	\$ 33,524



UTILITY NAME: Fairmount Utilities the 2nd, Inc.

YEAR OF REPORT  
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**GROSS UTILITY PLANT**

Plant Accounts: (101 - 107) inclusive	Water	Wastewater	Plant other than Reporting Systems	Total
Utility Plant in Service (101)	\$ <u>-0-</u>	\$ <u>219,597</u>	\$ <u>-0-</u>	\$ <u>219,597</u>
Construction Work in Progress (105) _____	_____	_____	_____	_____
Other (Specify) _____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total Utility Plant _____	\$ <u>-0-</u>	\$ <u>219,597</u>	\$ <u>-0-</u>	\$ <u>219,597</u>

**ACCUMULATED DEPRECIATION (A/D) AND AMORTIZATION OF UTILITY PLANT**

Account 108	Water	Wastewater	Other than Reporting Systems	Total
Balance First of Year _____	\$ <u>-0-</u>	\$ <u>212,340</u>	\$ <u>-0-</u>	\$ <u>212,340</u>
<u>Add Credits During Year:</u>				
Accruals charged to depreciation account _____	\$ _____	\$ <u>429</u>	\$ _____	\$ <u>429</u>
Salvage _____	_____	_____	_____	_____
Other Credits (specify) _____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total Credits _____	\$ <u>-0-</u>	\$ <u>429</u>	\$ <u>-0-</u>	\$ <u>429</u>
<u>Deduct Debits During Year:</u>				
Book cost of plant retired _____	\$ _____	\$ _____	\$ _____	\$ _____
Cost of removal _____	_____	_____	_____	_____
Other debits (specify) _____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total Debits _____	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Balance End of Year _____	\$ <u>-0-</u>	\$ <u>212,769</u>	\$ <u>-0-</u>	\$ <u>212,769</u>

UTILITY NAME: Fairmount Utilities the 2<sup>ND</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

CAPITAL STOCK ( 201 - 204 )

	Common Stock	Preferred Stock
Par or stated value per share _____	<u>\$1.00</u>	_____
Shares authorized _____	<u>1,000</u>	_____
Shares issued and outstanding _____	<u>1,000</u>	_____
Total par value of stock issued _____	<u>\$1,000</u>	_____
Dividends declared per share for year _____	_____	_____

RETAINED EARNINGS ( 215 )

	Appropriated	Un-Appropriated
Balance first of year _____	\$ _____	\$ <u>&lt;535,127&gt;</u>
Changes during the year (Specify): <u>CURRENT YEAR NET LOSS</u>	_____	<u>&lt;21,792&gt;</u>
_____	_____	_____
Balance end of year _____	\$ _____	\$ <u>&lt;556,919&gt;</u>

PROPRIETARY CAPITAL ( 218 )

	Proprietor Or Partner	Partner
Balance first of year _____	\$ _____	\$ _____
Changes during the year (Specify): <u>N/A</u>	_____	_____
_____	_____	_____
Balance end of year _____	\$ _____	\$ _____

LONG TERM DEBT ( 224 )

Description of Obligation (Including Date of Issue and Date of Maturity):	Interest		Principal per Balance Sheet Date
	Rate	# of Pymts	
<u>N/A</u>	_____	_____	\$ _____
_____	_____	_____	_____
Total _____	_____	_____	\$ _____

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

YEAR OF REPORT  
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TAX EXPENSE

(a)	Water (b)	Wastewater (c)	Other (d)	Total (e)
Income Taxes:				
Federal income tax _____	\$ _____	\$ _____	\$ _____	\$ _____
State income Tax _____	_____	_____	_____	_____
Taxes Other Than Income:				
State ad valorem tax _____	_____	1,163	_____	1,163
Local property tax _____	_____	_____	_____	_____
Regulatory assessment fee _____	_____	5,430	_____	5,430
Other (Specify) _____	_____	_____	_____	_____
<u>PAYROLL TAXES</u>	_____	3,386	_____	3,386
Total Tax Expense _____	\$ <u>-0-</u>	\$ <u>9,979</u>	\$ _____	\$ <u>9,979</u>

PAYMENTS FOR SERVICES RENDERED BY OTHER THAN EMPLOYEES

Report all information concerning outside rate, management, construction, advertising, labor relations, public relations, or other similar professional services rendered the respondent for which aggregate payments during the year to any corporation, partnership, individual, or organization of any kind whatever amounting to \$500 or more.

Name of Recipient	Water Amount	Wastewater Amount	Description of Service
<u>HIGHLANDS UTILITY CONSTRUCTION</u>	\$ _____	\$ <u>3,250</u>	<u>MAINTENANCE AND OPERATION</u>
<u>LEDGERPLUS ACCOUNTING</u>	\$ _____	\$ <u>2,889</u>	<u>ACCOUNTING AND TAX SERVICES</u>
<u>POLSTON ENGINEERING</u>	\$ _____	\$ <u>3,063</u>	<u>ENGINEERING</u>
<u>PUGH UTILITIES SERVICES</u>	\$ _____	\$ <u>10,355</u>	<u>MAINTENANCE</u>
<u>SHORT ENVIRONMENTAL LAB</u>	\$ _____	\$ <u>2,025</u>	<u>LAB TESTING</u>
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____

UTILITY NAME: Fairmount Utilities the 2<sup>ND</sup> Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

CONTRIBUTIONS IN AID OF CONSTRUCTION ( 271 )

(a)	Water (b)	Wastewater (c)	Total (d)
1) Balance first of year _____	\$ <u>-0-</u>	\$ <u>2,508</u>	\$ <u>2,508</u>
2) Add credits during year _____			
3) Total _____	\$ <u>-0-</u>	\$ <u>2,508</u>	\$ <u>2,508</u>
4) Deduct charges during the year _____			
5) Balance end of year _____	\$ <u>-0-</u>	\$ <u>2,508</u>	\$ <u>2,508</u>
6) Less Accumulated Amortization _____		\$ <u>2,389</u>	\$ <u>2,389</u>
7) Net CIAC _____	\$ <u>-0-</u>	\$ <u>119</u>	\$ <u>119</u>

ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION DURING YEAR (CREDITS)

Report below all developers or contractors agreements from which cash or property was received during the year.	Indicate "Cash" or "Property"	Water	Wastewater
<u>N/A</u>			
Sub-total _____		\$ _____	\$ _____
Report below all capacity charges, main extension charges and customer connection charges received during the year.			
Description of Charge	Number of Connections	Charge per Connection	
		\$ _____	\$ _____
		\$ _____	\$ _____
		\$ _____	\$ _____
Total Credits During Year (Must agree with line # 2 above.) _____		\$ _____	\$ _____

ACCUMULATED AMORTIZATION OF CIAC (272)

	Water	Wastewater	Total
Balance First of Year _____	\$ <u>-0-</u>	\$ <u>2,384</u>	\$ <u>2,384</u>
Add Debits During Year: _____		<u>5</u>	<u>5</u>
Deduct Credits During Year: _____			
Balance End of Year (Must agree with line #6 above.) _____	\$ <u>-0-</u>	\$ <u>2,389</u>	\$ <u>2,389</u>

**\*\* COMPLETION OF SCHEDULE REQUIRED ONLY IF AFUDC WAS CHARGED DURING YEAR \*\***

UTILITY NAME: Fairmount Utilities the 2<sup>ND</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

SCHEDULE "A"

N/A

**SCHEDULE OF COST OF CAPITAL USED FOR AFUDC CALCULATION (1)**

Class of Capital (a)	Dollar Amount (b)	Percentage of Capital (c)	Actual Cost Rates (d)	Weighted Cost [ c x d ] (e)
Common Equity	\$ _____	_____ %	_____ %	_____ %
Preferred Stock	_____	_____ %	_____ %	_____ %
Long Term Debt	_____	_____ %	_____ %	_____ %
Customer Deposits	_____	_____ %	_____ %	_____ %
Tax Credits - Zero Cost	_____	_____ %	0.00 %	_____ %
Tax Credits - Weighted Cost	_____	_____ %	_____ %	_____ %
Deferred Income Taxes	_____	_____ %	_____ %	_____ %
Other (Explain)	_____	_____ %	_____ %	_____ %
<b>Total</b>	\$ <u>_____</u>	<u>100.00</u> %		<u>_____</u> %

(1) Must be calculated using the same methodology used to calculate AFUDC rate approved by the Commission.

**APPROVED AFUDC RATE**

Current Commission approved AFUDC rate:	_____ %
Commission Order Number approving AFUDC rate:	_____

\*\* COMPLETION OF SCHEDULE REQUIRED ONLY IF AFUDC WAS CHARGED DURING YEAR \*\*

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

SCHEDULE "B"

N/A

SCHEDULE OF CAPITAL STRUCTURE ADJUSTMENTS

Class of Capital (a)	Per Book Balance (b)	Non-utility Adjustments (c)	Non-juris. Adjustments (d)	Other (1) Adjustments (e)	Capital Structure Used for AFUDC Calculation (f)
Common Equity	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Preferred Stock	_____	_____	_____	_____	_____
Long Term Debt	_____	_____	_____	_____	_____
Customer Deposits	_____	_____	_____	_____	_____
Tax Credits-Zero Cost	_____	_____	_____	_____	_____
Tax Credits-Weighted Cost of Capital	_____	_____	_____	_____	_____
Deferred Income Taxes	_____	_____	_____	_____	_____
Other (Explain)	_____	_____	_____	_____	_____
Total	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

(1) Explain below all adjustments made in Column (e):

_____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____ _____
---

**WATER  
OPERATING  
SECTION**

---

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup> Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

WATER UTILITY PLANT ACCOUNTS

N/A

Acct. No. (a)	Account Name (b)	Previous Year (c)	Additions (d)	Retirements (e)	Current Year (f)
301	Organization _____	\$ _____	\$ _____	\$ _____	\$ _____
302	Franchises _____	_____	_____	_____	_____
303	Land and Land Rights _____	_____	_____	_____	_____
304	Structures and Improvements _____	_____	_____	_____	_____
305	Collecting and Impounding Reservoirs _____	_____	_____	_____	_____
306	Lake, River and Other Intakes _____	_____	_____	_____	_____
307	Wells and Springs _____	_____	_____	_____	_____
308	Infiltration Galleries and Tunnels _____	_____	_____	_____	_____
309	Supply Mains _____	_____	_____	_____	_____
310	Power Generation Equipment _____	_____	_____	_____	_____
311	Pumping Equipment _____	_____	_____	_____	_____
320	Water Treatment Equipment _____	_____	_____	_____	_____
330	Distribution Reservoirs and Standpipes _____	_____	_____	_____	_____
331	Transmission and Distribution Lines _____	_____	_____	_____	_____
333	Services _____	_____	_____	_____	_____
334	Meters and Meter Installations _____	_____	_____	_____	_____
335	Hydrants _____	_____	_____	_____	_____
336	Backflow Prevention Devices _____	_____	_____	_____	_____
339	Other Plant and Miscellaneous Equipment _____	_____	_____	_____	_____
340	Office Furniture and Equipment _____	_____	_____	_____	_____
341	Transportation Equipment _____	_____	_____	_____	_____
342	Stores Equipment _____	_____	_____	_____	_____
343	Tools, Shop and Garage Equipment _____	_____	_____	_____	_____
344	Laboratory Equipment _____	_____	_____	_____	_____
345	Power Operated Equipment _____	_____	_____	_____	_____
346	Communication Equipment _____	_____	_____	_____	_____
347	Miscellaneous Equipment _____	_____	_____	_____	_____
348	Other Tangible Plant _____	_____	_____	_____	_____
	Total Water Plant _____	\$ _____	\$ _____	\$ _____	\$ _____



UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

N/A

YEAR OF REPORT  
DECEMBER 31, 2016

ANALYSIS OF ACCUMULATED DEPRECIATION BY PRIMARY ACCOUNT - WATER

Acct. No. (a)	Account (b)	Average Service Life in Years (c)	Average Salvage in Percent (d)	Depr. Rate Applied (e)	Accumulated Depreciation Balance Previous Year (f)	Debits (g)	Credits (h)	Accum. Depr. Balance End of Year (f-g+h=i) (i)
304	Structures and Improvements		%	%	\$	\$	\$	\$
305	Collecting and Impounding Reservoirs		%	%				
306	Lake, River and Other Intakes		%	%				
307	Wells and Springs		%	%				
308	Infiltration Galleries & Tunnels		%	%				
309	Supply Mains		%	%				
310	Power Generating Equipment		%	%				
311	Pumping Equipment		%	%				
320	Water Treatment Equipment		%	%				
330	Distribution Reservoirs & Standpipes		%	%				
331	Trans. & Dist. Mains		%	%				
333	Services		%	%				
334	Meter & Meter Installations		%	%				
335	Hydrants		%	%				
336	Backflow Prevention Devices		%	%				
339	Other Plant and Miscellaneous Equipment		%	%				
340	Office Furniture and Equipment		%	%				
341	Transportation Equipment		%	%				
342	Stores Equipment		%	%				
343	Tools, Shop and Garage Equipment		%	%				
344	Laboratory Equipment		%	%				
345	Power Operated Equipment		%	%				
346	Communication Equipment		%	%				
347	Miscellaneous Equipment		%	%				
348	Other Tangible Plant		%	%				
	Totals				\$	\$	\$	\$ *

\* This amount should tie to Sheet F-5.

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

WATER OPERATION AND MAINTENANCE EXPENSE

N/A

Acct. No.	Account Name	Amount
601	Salaries and Wages - Employees	\$ _____
603	Salaries and Wages - Officers, Directors, and Majority Stockholders	_____
604	Employee Pensions and Benefits	_____
610	Purchased Water	_____
615	Purchased Power	_____
616	Fuel for Power Production	_____
618	Chemicals	_____
620	Materials and Supplies	_____
630	Contractual Services:	
	Billing	_____
	Professional	_____
	Testing	_____
	Other	_____
640	Rents	_____
650	Transportation Expense	_____
655	Insurance Expense	_____
665	Regulatory Commission Expenses (Amortized Rate Case Expense)	_____
670	Bad Debt Expense	_____
675	Miscellaneous Expenses	_____
	Total Water Operation And Maintenance Expense	\$ _____ *
	* This amount should tie to Sheet F-3.	

WATER CUSTOMERS

Description (a)	Type of Meter ** (b)	Equivalent Factor (c)	Number of Active Customers		Total Number of Meter Equivalents (c x e) (f)
			Start of Year (d)	End of Year (e)	
<b>Residential Service</b>					
5/8"	D	1.0	_____	_____	_____
3/4"	D	1.5	_____	_____	_____
1"	D	2.5	_____	_____	_____
1 1/2"	D,T	5.0	_____	_____	_____
<b>General Service</b>					
5/8"	D	1.0	_____	_____	_____
3/4"	D	1.5	_____	_____	_____
1"	D	2.5	_____	_____	_____
1 1/2"	D,T	5.0	_____	_____	_____
2"	D,C,T	8.0	_____	_____	_____
3"	D	15.0	_____	_____	_____
3"	C	16.0	_____	_____	_____
3"	T	17.5	_____	_____	_____
Unmetered Customers	_____	_____	_____	_____	_____
Other (Specify)	_____	_____	_____	_____	_____
** D = Displacement C = Compound T = Turbine			Total	_____	_____

UTILITY NAME:

Fairmount Utilities the 2<sup>nd</sup> Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

SYSTEM NAME: \_\_\_\_\_

PUMPING AND PURCHASED WATER STATISTICS

N/A

(a)	Water Purchased For Resale (Omit 000's) (b)	Finished Water From Wells (Omit 000's) (c)	Recorded Accounted For Loss Through Line Flushing Etc. (Omit 000's) (d)	Total Water Pumped And Purchased (Omit 000's) [(b)+(c)-(d)] (e)	Water Sold To Customers (Omit 000's) (f)
January _____	_____	_____	_____	_____	_____
February _____	_____	_____	_____	_____	_____
March _____	_____	_____	_____	_____	_____
April _____	_____	_____	_____	_____	_____
May _____	_____	_____	_____	_____	_____
June _____	_____	_____	_____	_____	_____
July _____	_____	_____	_____	_____	_____
August _____	_____	_____	_____	_____	_____
September _____	_____	_____	_____	_____	_____
October _____	_____	_____	_____	_____	_____
November _____	_____	_____	_____	_____	_____
December _____	_____	_____	_____	_____	_____
Total for Year _____	_____	_____	_____	_____	_____

If water is purchased for resale, indicate the following:

Vendor \_\_\_\_\_  
Point of delivery \_\_\_\_\_

If water is sold to other water utilities for redistribution, list names of such utilities below:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MAINS (FEET)

Kind of Pipe (PVC, Cast Iron, Coated Steel, etc.)	Diameter of Pipe	First of Year	Added	Removed or Abandoned	End of Year
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup> Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

SYSTEM NAME: \_\_\_\_\_

**WELLS AND WELL PUMPS**

N/A

(a)	(b)	(c)	(d)	(e)
Year Constructed _____	_____	_____	_____	_____
Types of Well Construction and Casing _____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Depth of Wells _____	_____	_____	_____	_____
Diameters of Wells _____	_____	_____	_____	_____
Pump - GPM _____	_____	_____	_____	_____
Motor - HP _____	_____	_____	_____	_____
Motor Type * _____	_____	_____	_____	_____
Yields of Wells in GPD _____	_____	_____	_____	_____
Auxiliary Power _____	_____	_____	_____	_____
* Submersible, centrifugal, etc.				

**RESERVOIRS**

(a)	(b)	(c)	(d)	(e)
Description (steel, concrete)	_____	_____	_____	_____
Capacity of Tank _____	_____	_____	_____	_____
Ground or Elevated _____	_____	_____	_____	_____

**HIGH SERVICE PUMPING**

(a)	(b)	(c)	(d)	(e)
<b>Motors</b>				
Manufacturer _____	_____	_____	_____	_____
Type _____	_____	_____	_____	_____
Rated Horsepower _____	_____	_____	_____	_____
<b>Pumps</b>				
Manufacturer _____	_____	_____	_____	_____
Type _____	_____	_____	_____	_____
Capacity in GPM _____	_____	_____	_____	_____
Average Number of Hours Operated Per Day _____	_____	_____	_____	_____
Auxiliary Power _____	_____	_____	_____	_____

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

SOURCE OF SUPPLY N/A

List for each source of supply ( Ground, Surface, Purchased Water etc. )			
Permitted Gals. per day_	_____	_____	_____
Type of Source_	_____	_____	_____

**WATER TREATMENT FACILITIES**

List for each Water Treatment Facility:			
Type_	_____	_____	_____
Make_	_____	_____	_____
Permitted Capacity (GPD)_	_____	_____	_____
High service pumping	_____	_____	_____
Gallons per minute_	_____	_____	_____
Reverse Osmosis_	_____	_____	_____
Lime Treatment	_____	_____	_____
Unit Rating_	_____	_____	_____
Filtration	_____	_____	_____
Pressure Sq. Ft._	_____	_____	_____
Gravity GPD/Sq.Ft._	_____	_____	_____
Disinfection	_____	_____	_____
Chlorinator_	_____	_____	_____
Ozone_	_____	_____	_____
Other_	_____	_____	_____
Auxiliary Power_	_____	_____	_____

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

SYSTEM NAME: \_\_\_\_\_

GENERAL WATER SYSTEM INFORMATION

N/A

Furnish information below for each system. A separate page should be supplied where necessary.

1. Present ERC's \* the system can efficiently serve. \_\_\_\_\_
2. Maximum number of ERCs \* which can be served. \_\_\_\_\_
3. Present system connection capacity (in ERCs \*) using existing lines. \_\_\_\_\_
4. Future connection capacity (in ERCs \*) upon service area buildout. \_\_\_\_\_
5. Estimated annual increase in ERCs \*. \_\_\_\_\_
6. Is the utility required to have fire flow capacity? \_\_\_\_\_  
If so, how much capacity is required? \_\_\_\_\_
7. Attach a description of the fire fighting facilities.
8. Describe any plans and estimated completion dates for any enlargements or improvements of this system.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
9. When did the company last file a capacity analysis report with the DEP? \_\_\_\_\_
10. If the present system does not meet the requirements of DEP rules, submit the following:
  - a. Attach a description of the plant upgrade necessary to meet the DEP rules.
  - b. Have these plans been approved by DEP? \_\_\_\_\_
  - c. When will construction begin? \_\_\_\_\_
  - d. Attach plans for funding the required upgrading.
  - e. Is this system under any Consent Order with DEP? \_\_\_\_\_
11. Department of Environmental Protection ID # \_\_\_\_\_
12. Water Management District Consumptive Use Permit # \_\_\_\_\_
  - a. Is the system in compliance with the requirements of the CUP? \_\_\_\_\_
  - b. If not, what are the utility's plans to gain compliance? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\* An ERC is determined based on one of the following methods:  
(a) If actual flow data are available from the preceding 12 months:  
Divide the total annual single family residence (SFR) gallons sold by the average number of SFR customers for the same period and divide the result by 365 days.  
(b) If no historical flow data are available use:  
ERC = (Total SFR gallons sold (omit 000)/365 days/350 gallons per day).

**WASTEWATER  
OPERATING  
SECTION**

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UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

WASTEWATER UTILITY PLANT ACCOUNTS

Acct. No. (a)	Account Name (b)	Previous Year (c)	Additions (d)	Retirements (e)	Current Year (f)
351	Organization	\$ _____	\$ _____	\$ _____	\$ _____
352	Franchises	_____	_____	_____	_____
353	Land and Land Rights	_____	_____	_____	_____
354	Structures and Improvements	<u>3,663</u>	_____	_____	<u>3,663</u>
355	Power Generation Equipment	_____	_____	_____	_____
360	Collection Sewers - Force	<u>9508</u>	_____	_____	<u>9508</u>
361	Collection Sewers - Gravity	<u>54,339</u>	_____	_____	<u>54,339</u>
362	Special Collecting Structures	<u>24,260</u>	_____	_____	<u>24,260</u>
363	Services to Customers	<u>20,251</u>	_____	_____	<u>20,251</u>
364	Flow Measuring Devices	_____	_____	_____	_____
365	Flow Measuring Installations	_____	_____	_____	_____
370	Receiving Wells	_____	_____	_____	_____
371	Pumping Equipment	_____	_____	_____	_____
380	Treatment and Disposal Equipment	<u>78,418</u>	_____	_____	<u>78,418</u>
381	Plant Sewers	_____	_____	_____	_____
382	Outfall Sewer Lines	_____	_____	_____	_____
389	Other Plant and Miscellaneous Equipment	_____	_____	_____	_____
390	Office Furniture and Equipment	<u>1,158</u>	_____	_____	<u>1,158</u>
391	Transportation Equipment	_____	_____	_____	_____
392	Stores Equipment	_____	_____	_____	_____
393	Tools, Shop and Garage Equipment	_____	_____	_____	_____
394	Laboratory Equipment	_____	_____	_____	_____
395	Power Operated Equipment	_____	_____	_____	_____
396	Communication Equipment	_____	_____	_____	_____
397	Miscellaneous Equipment	_____	_____	_____	_____
398	Other Tangible Plant	_____	_____	_____	_____
	Total Wastewater Plant	\$ <u>219,597</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>219,597</u> *

\* This amount should tie to sheet F-5.



UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

ANALYSIS OF ACCUMULATED DEPRECIATION BY PRIMARY ACCOUNT - WASTEWATER

Acct. No. (a)	Account (b)	Average Service Life in Years (c)	Average Salvage in Percent (d)	Depr. Rate Applied (e)	Accumulated Depreciation Balance Previous Year (f)	Debits (g)	Credits (h)	Accum. Depr. Balance End of Year (f+g+h=i) (i)
354	Structures and Improvements	27	%	3.70 %	\$ 31,663	\$	\$ -0-	\$ 31,663
355	Power Generation Equipment		%					
360	Collection Sewers - Force	27	%	3.70 %	2,893		352	3,245
361	Collection Sewers - Gravity	40	%	2.50 %	54,339		-0-	54,339
362	Special Collecting Structures	37	%	2.70 %	24,260		-0-	24,260
363	Services to Customers	35	%	2.86 %	20,251		-0-	20,251
364	Flow Measuring Devices		%					
365	Flow Measuring Installations		%					
370	Receiving Wells		%					
371	Pumping Equipment		%					
380	Treatment and Disposal Equipment	15	%	6.67 %	78,418		-0-	78,418
381	Plant Sewers		%					
382	Outfall Sewer Lines		%					
389	Other Plant and Miscellaneous Equipment		%					
390	Office Furniture and Equipment	15	%	6.67 %	516		77	593
391	Transportation Equipment		%					
392	Stores Equipment		%					
393	Tools, Shop and Garage Equipment		%					
394	Laboratory Equipment		%					
395	Power Operated Equipment		%					
396	Communication Equipment		%					
397	Miscellaneous Equipment		%					
398	Other Tangible Plant		%					
	Totals				\$ 212,340	\$ -0-	\$ 429	\$ 212,769 *

\* This amount should tie to Sheet F-5.

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, INC

YEAR OF REPORT  
DECEMBER 31, 2016

**WASTEWATER OPERATION AND MAINTENANCE EXPENSE**

Acct. No.	Account Name	Amount
701	Salaries and Wages - Employees	\$ 35,126
703	Salaries and Wages - Officers, Directors, and Majority Stockholders	14,652
704	Employee Pensions and Benefits	
710	Purchased Wastewater Treatment	
711	Sludge Removal Expense	
715	Purchased Power	5,330
716	Fuel for Power Production	
718	Chemicals	5,045
720	Materials and Supplies	45,044
730	Contractual Services:	
	Billing	
	Professional	5,952
	Testing	2,025
	Other	
740	Rents	6,821
750	Transportation Expense	3,797
755	Insurance Expense	3,503
765	Regulatory Commission Expenses (Amortized Rate Case Expense)	
770	Bad Debt Expense	
775	Miscellaneous Expenses	8,014
	Total Wastewater Operation And Maintenance Expense	\$ 135,309 *

\* This amount should tie to Sheet F-3.

**WASTEWATER CUSTOMERS**

Description (a)	Type of Meter ** (b)	Equivalent Factor (c)	Number of Active Customers		Total Number of Meter Equivalents (c x e) (f)
			Start of Year (d)	End of Year (e)	
Residential Service					
All meter sizes	D	1.0	427	427	427
General Service					
5/8"	D	1.0			
3/4"	D	1.5			
1"	D	2.5			
1 1/2"	D,T	5.0			
2"	D,C,T	8.0			
3"	D	15.0			
3"	C	16.0			
3"	T	17.5			
Unmetered Customers			15	15	15
Other (Specify)					
** D = Displacement C = Compound T = Turbine			Total	442	442

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

PUMPING EQUIPMENT  
*Seattle*

Lift Station Number	<u>Main St.</u>					
Make or Type and nameplate data on pump	<u>grinder Pump 1</u>					
Year installed	<u>2016</u>					
Rated capacity	<u>160 gpd</u>					
Size	<u>5 hp</u>					
Power:	<u>7 (2 pumps)</u>					
Electric	<u>Elec - Both</u>					
Mechanical						
Nameplate data of motor	<u>GORMAN GRINDER</u>					

SERVICE CONNECTIONS

Size (inches)	<u>4"</u>				
Type (PVC, VCP, etc.)	<u>VCP</u>				
Average length	<u>50"</u>				
Number of active service connections	<u>442</u>				
Beginning of year	<u>442</u>				
Added during year	<u>0</u>				
Retired during year	<u>0</u>				
End of year	<u>442</u>				
Give full particulars concerning inactive connections	<u>N/A</u>				

COLLECTING AND FORCE MAINS

	Collecting Mains			Force Mains			
	<u>8"</u>	<u>6"</u>	<u>4"</u>				
Size (inches)			<u>PVC</u>				
Type of main							
Length of main (nearest foot)							
Beginning of year	<u>610</u>	<u>3200</u>	<u>1200</u>				
Added during year	<u>0</u>	<u>0</u>	<u>0</u>				
Retired during year	<u>0</u>	<u>0</u>	<u>0</u>				
End of year	<u>610</u>	<u>3200</u>	<u>1200</u>				

MANHOLES

Size (inches)	<u>8"</u>		
Type of Manhole	<u>Brick</u>		
Number of Manholes:			
Beginning of year	<u>46</u>		
Added during year	<u>0</u>		
Retired during year	<u>0</u>		
End of Year	<u>46</u>		

All manholes rebuilt and tested by DEP Now finished after 3 yrs of construction.

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.

YEAR OF REPORT  
DECEMBER 31, 2016

SYSTEM NAME: \_\_\_\_\_

TREATMENT PLANT

Manufacturer _____	<u>extended AIR</u>	_____	_____
Type _____	<u>Concrete</u>	_____	_____
"Steel" or "Concrete" _____	<u>3</u>	_____	_____
Total Permitted Capacity _____	<u>40 T gpd</u>	_____	_____
Average Daily Flow _____	<u>37 T. gpd</u>	_____	_____
Method of Effluent Disposal _____	<u>Evap / park ponds</u>	_____	_____
Permitted Capacity of Disposal _____	<u>40 T. gpd</u>	_____	_____
Total Gallons of Wastewater treated _____	<u>13,785</u>	_____	_____

MASTER LIFT STATION PUMPS

Manufacturer _____	<u>5 hp GORMAN</u>	_____	_____	_____	_____
Capacity (GPM's) _____	<u>160 gpm (+ OR -)</u>	_____	_____	_____	_____
Motor:					
Manufacturer _____	<u>GORMAN</u>	_____	_____	_____	_____
Horsepower _____	<u>5 hp</u>	_____	_____	_____	_____
Power (Electric or Mechanical) _____	<u>Elec.</u>	_____	_____	_____	_____

PUMPING WASTEWATER STATISTICS

Months	Gallons of Treated Wastewater	Effluent Reuse Gallons to Customers	Effluent Gallons Disposed of on site
January _____	<u>1,163</u>	N/A	N/A
February _____	<u>1,271</u>		
March _____	<u>1,063</u>		
April _____	<u>994</u>		
May _____	<u>1,208</u>		
June _____	<u>1,7</u>		
July _____	<u>1,306</u>		
August _____	<u>1,723</u>		
September _____	<u>1,414</u>		
October _____	<u>1,002</u>		
November _____	<u>.451</u>		
December _____	<u>.49</u>		
Total for year _____	<u>13,785</u>		

If Wastewater Treatment is purchased, indicate the vendor: \_\_\_\_\_

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup>, Inc.  
SYSTEM NAME: \_\_\_\_\_

YEAR OF REPORT  
DECEMBER 31, 2016

GENERAL WASTEWATER SYSTEM INFORMATION

Furnish information below for each system. A separate page should be supplied where necessary.

- 1. Present number of ERCs\* now being served. 427
- 2. Maximum number of ERCs\* which can be served. 460
- 3. Present system connection capacity (in ERCs\*) using existing lines. 460
- 4. Future connection capacity (in ERCs\*) upon service area buildout. 33
- 5. Estimated annual increase in ERCs\*. -0- (maybe 1)
- 6. Describe any plans and estimated completion dates for any enlargements or improvements of this system  
W/A
- 7. If the utility uses reuse as a means of effluent disposal, provide a list of the reuse end users and the amount of reuse provided to each, if known. N/A
- 8. If the utility does not engage in reuse, has a reuse feasibility study been completed? \_\_\_\_\_  
If so, when? N/A
- 9. Has the utility been required by the DEP or water management district to implement reuse? \_\_\_\_\_  
If so, what are the utility's plans to comply with this requirement? N/A
- 10. When did the company last file a capacity analysis report with the DEP? 2016
- 11. If the present system does not meet the requirements of DEP rules, submit the following:
  - a. Attach a description of the plant upgrade necessary to meet the DEP rules.
  - b. Have these plans been approved by DEP? \_\_\_\_\_
  - c. When will construction begin? \_\_\_\_\_
  - d. Attach plans for funding the required upgrading.
  - e. Is this system under any Consent Order with DEP? NO
- 12. Department of Environmental Protection ID # D028187065

\* An ERC is determined based on one of the following methods:  
(a) If actual flow data are available from the preceding 12 months:  
Divide the total annual single family residence (SFR) gallons sold by the average number of SFR customers for the same period and divide the result by 365 days.  
(b) If no historical flow data are available use:  
ERC = (Total SFR gallons sold (omit 000)/365 days/280 gallons per day).

UTILITY NAME: Fairmount Utilities the 2<sup>nd</sup> Inc

YEAR OF REPORT  
DECEMBER 31, 2016

# CERTIFICATION OF ANNUAL REPORT

I HEREBY CERTIFY, to the best of my knowledge and belief:

- YES  NO  1. The utility is in substantial compliance with the Uniform System of Accounts prescribed by the Florida Public Service Commission in Rule 25-30.115 (1), Florida Administrative Code.
- YES  NO  2. The utility is in substantial compliance with all applicable rules and orders of the Florida Public Service Commission.
- YES  NO  3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statement of the utility.
- YES  NO  4. The annual report fairly represents the financial condition and results of operations of the respondent for the period presented and other information and statements presented in the report as to the business affairs of the respondent are true, correct, and complete for the period for which it represents.

### Items Certified

1.  2.  3.  4.  Karen M. Berry \*

(signature of Chief Executive Officer of the utility)

Date: 7/28/17

1.  2.  3.  4.  \_\_\_\_\_ \*

(signature of Chief Financial Officer of the utility)

Date: \_\_\_\_\_

\* Each of the four items must be certified YES or NO. Each item need not be certified by both officers. The items being certified by the officer should be indicated in the appropriate area to the left of the signature.

Notice: Section 837.06, Florida Statutes, provides that any person who knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his duty shall be guilty of a misdemeanor of the second degree.