



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

---

**DATE:** April 23, 2004  
**TO:** Stephanie Clapp, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing *D*  
Division of Regulatory Compliance and Consumer Assistance  
**RE:** ~~Docket No. 030998-SU~~ *WS* *AK*; **Company Name:** Del Tura Phase I, LLC; **Audit Purpose:** Establish Ratebase at Transfer; **Audit Control No.** 03-353-3-3

---

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp  
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)  
Division of the Commission Clerk and Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

Kathryn G. W. Cowdery  
Ruden Law Firm  
215 S. Monroe Street, Suite 815  
Tallahassee, FL 32301

Nancy M. Burke, Esq.  
Katz, Kutter Law Firm  
106 East College Ave., Suite 1200  
Tallahassee, FL 32301

Hometown America, L.L.C.  
150 North Wacker Drive, Suite 900  
Chicago, IL 60606

Del Tura Phase I, LLC  
Mike Whitake  
6160 South Syracuse Way  
Greenwood Village, CO 80111-4772

DOCUMENT NUMBER-DATE

04922 APR 28 2004

FPSC-COMMISSION CLERK



**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
BUREAU OF AUDITING*

*Miami District Office*

DEL TURA PHASE I, LLC.  
TRANSFER AUDIT  
WASTEWATER

TRANSFER DATE 10/16/03  
FOR THE PERIOD ENDED 10/31/03  
DOCKET NO. 030998-WS

AUDIT CONTROL NO. 03-353-3-3

A handwritten signature in cursive script, reading "Iliana H. Piedra".

*Iliana H. Piedra, Audit Manager*

A handwritten signature in cursive script, reading "Kathy Welch".

*Kathy Welch,  
Public Utilities Supervisor*

## **TABLE OF CONTENTS**

I.	AUDIT PURPOSE & DISCLAIM PUBLIC USE AUDIT SCOPE	1
II.	SUMMARY OF SIGNIFICANT PROCEDURES	2
III.	AUDIT EXCEPTIONS	
	1. Continued use of land	3
	2. Prior rate base adjustments	4
	3. Plant in service additions	10
	4. Depreciation for 2003	16
	5. Non compliance with Uniform System of Accounts	18
IV.	AUDIT DISCLOSURES	
	1. Depreciation using Commission rule	19
	2. Invoices not included in annual reports	22
	3. Plant in service reconciled to tax returns	29
	4. Revenues not billed to developer	30
V.	EXHIBITS	32
	RATE BASE	33

**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
AUDITOR'S REPORT  
April 14, 2004**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the rate base components of Del Tura Phase I, LLC due to the transfer of majority organizational control from Chateau Communities, Inc. To Hometown America, LLC. effective October 16, 2003. The attached schedule is prepared by the auditor as part of our work in Docket 030998-WS.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

## **SUMMARY OF SIGNIFICANT PROCEDURES**

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

**Scanned-** The documents or accounts were read quickly looking for obvious errors.

**Compiled-** The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Reviewed-** The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

**Examined-** The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

**Confirmed-** Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

**Verified-** The item was tested for accuracy, and substantiating documentation was examined.

---

**RATE BASE:** Determined the beginning balances from the last rate order. Scheduled additions to plant and depreciation. Reviewed supporting documentation for additions. Toured the service territory. Obtained tax returns with depreciable assets schedule. Scanned home sales agreements. Recalculated accumulated depreciation. Obtained deeds from courthouse to determine ownership of land.

**NET OPERATING INCOME:** Verified that the residential and general service rates are billed according to the rates in the tariff.

**III. AUDIT EXCEPTIONS**

**AUDIT EXCEPTION NO. 1**

**SUBJECT: CONTINUED USE OF LAND**

**STATEMENT OF FACTS:** The utility is located in Phase I of the Del Tura development. The deed recorded on June 14, 2000 shows that the land for the entire Phase I is owned by the developer, Del Tura Phase I, LLC on one deed.

Rule 25-30.037 (3) (I), Florida Administrative Code, states that the utility needs to include with the application "evidence that the utility owns the land upon which the utility treatment facilities are located, or a copy of an agreement which provides for the continued use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost effective alternative."

**AUDIT OPINION:** The utility needs to make an agreement with the developer which provides for the continued use of the land as required by the Commission Rule.

**AUDIT EXCEPTION NO. 2**

**SUBJECT: PRIOR RATE BASE ADJUSTMENT**

**STATEMENT OF FACTS:** The Commission made an adjustment to reduce utility plant in service by \$237,647 in the last audit. This is shown in FPSC Order No. 96-0770-FOF-SU issued June 17, 1996 for the test year ended October 31, 1994. An adjustment to decrease accumulated depreciation was made for \$637,173. This adjustment was made because the books did not reconcile to the annual reports, there was a duplicate entry in the 1988 books and to account for the above plant in service adjustment.

The company booked some of the \$637,173 adjustment. The company balance at December 31, 1994 is \$543,141 and the PSC balance after the \$637,173 adjustment and after adding two months of depreciation for November and December 1994 is \$500,055. This represents a difference of \$43,075 to accumulated depreciation at December 31, 1994.

**AUDIT OPINION:** Plant in service and accumulated depreciation should be decreased by \$237,647 and \$43,075, respectively.

Plant in service should be adjusted as follows:

<u>Account</u>	
360	\$ 21,566
361	(\$246,693)
363	\$ 66,585
371	\$ 43,236
380	<u>(\$122,340)</u>
	(\$237,646)

The difference in accumulated depreciation is as follows:

Acct	PSC	Company	Difference
360	\$17,253	\$12,847	\$4,406
361	\$213,661	\$247,633	(\$33,972)
363	\$40,692	\$29,924	\$10,768
371	\$70,469	\$59,607	\$10,862
380	\$157,168	\$192,310	(\$35,142)
382	<u>\$ 823</u>	<u>\$ 820</u>	<u>\$ 3</u>
	\$500,066	\$543,141	<u>(\$43,075)</u>

In addition, depreciation needs to be decreased for the \$237,647 adjustment to plant in service for the period of December 31, 1994 to October 31, 2003. A calculation was made using both the company's rates and the rates in Rule 25-30.140 for Class B Utilities. If the company's rates are used, the accumulated depreciation as of October 31, 2003 should be reduced by \$74,699. If the rule's rates are used the accumulated depreciation should be reduced by \$66,649. See the attached schedules.



DEPRECIATION FOR LAST ADJUSTMENT PER ORDER

9

ACCT

DEPRECIATION RATES PER CO.	1994 ADDTS 11/12-94	BALANCE 12/31/94	1995 ADDITIONS	12/31/95	1996 ADDITIONS	12/31/96	1997 ADDITIONS	12/31/97	1998 ADDITIONS	12/31/98
353 Land and Land Rights										
360 Colections Sewers Force	0.037	133	133	798	931	798	1,729	798	2,527	3,325
361 Colections Sewers Gravity	0.025	(1,028)	(1,028)	(6,167)	(7,195)	(6,167)	(13,363)	(6,167)	(19,530)	(25,697)
363 Services to Customers	0.0286	317	317	1,904	2,222	1,904	4,126	1,904	6,030	7,935
371 Pumping Equipment	0.0455	328	328	1,967	2,295	1,967	4,262	1,967	6,230	8,197
380 Treatment and Disposal	0.0556	(1,134)	(1,134)	(6,802)	(7,936)	(6,802)	(14,738)	(6,802)	(21,540)	(28,342)
382 Outfall Sewer Lines	0.0333	0	0	0	0	0	0	0	0	0
		(1,383)	(1,383)	(8,300)	(9,683)	(8,300)	(17,983)	(8,300)	(26,283)	(34,583)

7

## ACCT

	DEPRECIATION	1999	2000	2001	2002	2003					
	RATES PER CO.	ADDITIONS	ADDITIONS	ADDITIONS	ADDITIONS	ADDITIONS	12/31/99	12/31/00	12/31/01	12/31/02	10/31/03
353 Land and Land Rights											
360 Collections Sewers Force	0.037	798	798	798	798	665	4,123	4,921	5,719	6,517	7,182
361 Collections Sewers Gravity	0.025	(6,167)	(6,167)	(6,167)	(6,167)	(5,139)	(31,864)	(38,032)	(44,199)	(50,366)	(55,506)
363 Services to Customers	0.0286	1,904	1,904	1,904	1,904	1,587	9,839	11,743	13,648	15,552	17,139
371 Pumping Equipment	0.0455	1,967	1,967	1,967	1,967	1,639	10,164	12,131	14,099	16,066	17,705
380 Treatment and Disposal	0.0556	(6,802)	(6,802)	(6,802)	(6,802)	(5,668)	(35,144)	(41,946)	(48,749)	(55,551)	(61,219)
382 Outfall Sewer Lines	0.0333	0	0	0	0	0	0	0	0	0	0
		(8,300)	(8,300)	(8,300)	(8,300)	(6,917)	(42,883)	(51,183)	(59,483)	(67,783)	(74,699)

**DEPRECIATION FOR LAST ADJUSTMENT PER ORDER**

**RULE 25-30.140**

∞

ACCT

	<b>DEPRECIATION RATES CLASS B</b>	<b>1994 ADDITONS 11/12 - 94</b>	<b>BALANCE 12/31/94</b>	<b>1995 ADDITONS</b>	<b>12/31/95</b>	<b>1996 ADDITONS</b>	<b>1231/96</b>	<b>1997 ADDITONS</b>	<b>12/31/97</b>	<b>1998 ADDITONS</b>	<b>12/31/98</b>
353 Land and Land Rights		120	120	718	838	718	1,556	718	2,274	718	2,992
360 Colections Sewers Force	0.0333	120	120	718	838	718	1,556	718	2,274	718	2,992
361 Colections Sewers Gravit	0.0222	(913)	(913)	(5,477)	(6,389)	(5,477)	(11,866)	(5,477)	(17,343)	(5,477)	(22,819)
363 Services to Customers	0.0263	292	292	1,751	2,043	1,751	3,794	1,751	5,545	1,751	7,297
371 Pumping Equipment	0.0556	401	401	2,404	2,805	2,404	5,208	2,404	7,612	2,404	10,016
380 Treatment and Disposal	0.0556	(1,134)	(1,134)	(6,802)	(7,936)	(6,802)	(14,738)	(6,802)	(21,540)	(6,802)	(28,342)
382 Outfall Sewer Lines	0.0333	0	0	0	0	0	0	0	0	0	0
		(1,234)	(1,234)	(7,405)	(8,640)	(7,405)	(16,045)	(7,405)	(23,450)	(7,405)	(30,856)

RULE 25-30.140

ACCT

	DEPRECIATION RATES CLASS B	1999 ADDITIONS	12/31/99	2000 ADDITIONS	12/31/00	2001 ADDITIONS	12/31/01	2002 ADDITIONS	12/31/02	2003 ADDITIONS	10/31/03
353 Land and Land Rights											
360 Colections Sewers Force	0.0333	718	3,711	718	4,429	718	5,147	718	5,865	598	6,464
361 Colections Sewers Gravit	0.0222	(5,477)	(28,296)	(5,477)	(33,772)	(5,477)	(39,249)	(5,477)	(44,725)	(4,564)	(49,289)
363 Services to Customers	0.0263	1,751	9,048	1,751	10,799	1,751	12,550	1,751	14,301	1,459	15,761
371 Pumping Equipment	0.0556	2,404	12,420	2,404	14,824	2,404	17,228	2,404	19,632	2,003	21,635
380 Treatment and Disposal	0.0556	(6,802)	(35,144)	(6,802)	(41,946)	(6,802)	(48,749)	(6,802)	(55,551)	(5,668)	(61,219)
382 Outfall Sewer Lines	0.0333	0	0	0	0	0	0	0	0	0	0
		(7,405)	(38,261)	(7,405)	(45,667)	(7,405)	(53,072)	(7,405)	(60,478)	(6,171)	(66,649)

**AUDIT EXCEPTION NO. 3**

**SUBJECT: PLANT IN SERVICE ADDITIONS**

**STATEMENT OF FACTS:** The company could not locate the following invoices for plant in service additions shown on the annual report:

1996	\$22,260
1999	\$18,930
2000	<u>\$18,930</u>
	\$60,120

The company provided invoices for 1999 and 2000 in excess of the above amounts, but they could not be reconciled to these amounts. The amounts for these invoices are shown in the attachment to Disclosure No. 2.

The Uniform System of Accounts, NARUC, Class B for wastewater, accounting instructions 2. A. states "Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto."

**AUDIT OPINION:** Plant in service should be reduced by \$60,120 because the amounts were not supported by invoices. The accumulated depreciation adjustment related to this amount is \$15,497 if the company rates are used and \$17,145 if Rule 25-30.140, Class B rates are used. See the attached schedules.

ADDITIONS PER ANNUAL REPORT - NO INVOICES PROVIDED

ACCT	PLANT	1995	1996	1997	1998	1999	2000	2001	2002	2003										
	12/31/84	ADDITIONS	12/31/85	ADDITIONS	12/31/86	ADDITIONS	12/31/87	ADDITIONS	12/31/88	ADDITIONS	12/31/89	ADDITIONS	12/31/90	ADDITIONS	12/31/91	ADDITIONS	12/31/92	ADDITIONS	10/31/03	
353 Land and Land Rights			0		0		0		0		0		0		0		0		0	
360 Collections Sewers Force			0		0		0		0		0		0		0		0		0	
361 Collections Sewers Gravity			0		0		0		0		0		0		0		0		0	
363 Services to Customers			0		0		0		0		0		0		0		0		0	
371 Pumping Equipment			0	(22,260)	(22,260)		(22,260)		(22,260)		(22,260)		(22,260)		(22,260)		(22,260)		(22,260)	
380 Treatment and Disposal			0		0		0	(18,930)	(18,930)		(18,930)	(37,860)	(37,860)		(37,860)		(37,860)		(37,860)	
382 Outfall Sewer Lines			0		0		0		0		0		0		0		0		0	
		0	0	0	(22,260)	(22,260)	0	(22,260)	0	(22,260)	(18,930)	(41,190)	(18,930)	(60,120)	0	(60,120)	0	(60,120)	0	(60,120)

DEPRECIATION FOR NO INVOICES PROVIDED

ACCT

	DEPRECIATION RATES PER COMPANY	1994 ADDITIONS 11/12 -94	BALANC 12/31/94	1995 DDTION 12/31/95	1996 ADDITIONS 1231/96	1997 ADDITIONS 12/31/97	1998 ADDITIONS 12/31/98
353 Land and Land Rights		0	0	0	0	0	0
360 Colections Sewers Force	0.037	0	0	0	0	0	0
361 Colections Sewers Gravity	0.025	0	0	0	0	0	0
363 Services to Customers	0.0286	0	0	0	0	0	0
371 Pumping Equipment	0.0455	0	0	0	(506)	(1,013)	(2,532)
380 Treatment and Disposal	0.0556	0	0	0	0	0	0
382 Outfall Sewer Lines	0.0333	0	0	0	0	0	0
		0	0	0	(506)	(1,013)	(2,532)

ACCT

	DEPRECIATION RATES PER COMPANY	1999 ADDITIONS	12/31/99	2000 ADDITIONS	12/31/00	2001 ADDITIONS	12/31/01	2002 ADDITIONS	12/31/02	2003 ADDITIONS	10/31/03
353 Land and Land Rights											
360 Colections Sewers Force	0.037	0	0	0	0	0	0	0	0	0	0
361 Colections Sewers Gravity	0.025	0	0	0	0	0	0	0	0	0	0
363 Services to Customers	0.0286	0	0	0	0	0	0	0	0	0	0
371 Pumping Equipment	0.0455	(1,013)	(3,545)	(1,013)	(4,558)	(1,013)	(5,571)	(1,013)	(6,583)	(844)	(7,427)
380 Treatment and Disposal	0.0556	(526)	(526)	(1,579)	(2,105)	(2,105)	(4,210)	(2,105)	(6,315)	(1,754)	(8,069)
382 Outfall Sewer Lines	0.0333	0	0	0	0	0	0	0	0	0	0
		(1,539)	(4,071)	(2,592)	(6,663)	(3,118)	(9,781)	(3,118)	(12,898)	(2,598)	(15,497)



DEPRECIATION FOR NO INVOICES PROVIDED

RULE 25-30.140

ACCT	DEPRECIATION RATES CLASS B	BALANC 10/31/94	1994 DDTITON 11/12 - 94	BALANC 12/31/94	1995 ADDITIONS	12/31/95	1996 ADDITIONS	1231/96	1997 ADDITIONS	12/31/97	1998 ADDITIONS	12/31/98
353 Land and Land Rights				0	0	0	0	0	0	0	0	0
360 Colections Sewers Force	0.0333			0	0	0	0	0	0	0	0	0
361 Colections Sewers Gravity	0.0222			0	0	0	0	0	0	0	0	0
363 Services to Customers	0.0263			0	0	0	0	0	0	0	0	0
371 Pumping Equipment	0.0556			0	0	0	(619)	(619)	(1,238)	(1,856)	(1,238)	(3,094)
380 Treatment and Disposai	0.0556			0	0	0	0	0	0	0	0	0
71 382 Outfall Sewer Lines	0.0333			0	0	0	0	0	0	0	0	0
				0	0	0	(619)	(619)	(1,238)	(1,856)	(1,238)	(3,094)

RULE 25-30.140

ACCT	DEPRECIATION RATES CLASS B	1999 ADDITIONS	12/31/99	2000 ADDITIONS	12/31/00	2001 ADDITIONS	12/31/01	2002 ADDITIONS	12/31/02	2003 ADDITIONS	10/31/03
353 Land and Land Rights		0	0	0	0	0	0	0	0	0	0
360 Colections Sewers Force	0.0333	0	0	0	0	0	0	0	0	0	0
361 Colections Sewers Gravity	0.0222	0	0	0	0	0	0	0	0	0	0
363 Services to Customers	0.0263	0	0	0	0	0	0	0	0	0	0
371 Pumping Equipment	0.0556	(1,238)	(4,332)	(1,238)	(5,569)	(1,238)	(6,807)	(1,238)	(8,045)	(1,031)	(9,076)
15 380 Treatment and Disposal	0.0556	(526)	(526)	(1,579)	(2,105)	(2,105)	(4,210)	(2,105)	(6,315)	(1,754)	(8,069)
382 Outfall Sewer Lines	0.0333	0	0	0	0	0	0	0	0	0	0
		(1,764)	(4,858)	(2,816)	(7,674)	(3,343)	(11,017)	(3,343)	(14,360)	(2,786)	(17,145)

**AUDIT EXCEPTION NO. 4**

**SUBJECT: DEPRECIATION FOR 2003**

**STATEMENT OF FACTS:** The calculation of depreciation for January through October 2003 was prepared since the company's 2002 annual report showed depreciation through December of 2002.

Plant in service was increased by \$5,800 for 2003. This represents an invoice for the utility recorded in the trial balance of Hometown America. The invoice was provided by the company.

The depreciation was calculated using Rule 25-30.140, Florida Administrative Code, for Class B. See the attached schedule.

**AUDIT OPINION:** Depreciation expense for 2003 should be \$60,485. See the attached schedule.

DEPRECIATION - 10/31/03

DEPRECIATION

RULE 25-30.140

ACCT

	PLANT PER COMPANY 12/31/02	2003 ADDITIONS PER COMPANY	DEPRECIATION RATES CLASS B		2003 DEPRECIATION ADDITION
353 Land and Land Rights	16,685				
360 Colections Sewers Force	32,173		0.0333		893
361 Colections Sewers Gravity	1,180,087		0.0222		21,832
363 Services to Customers	110,520		0.0263		2,422
371 Pumping Equipment	167,445	5,800	0.0556		7,920
380 Treatment and Disposal	590,586		0.0556		27,364
382 Outfall Sewer Lines	1,977		0.0333		55
	<u>2,082,788</u>	<u>5,800</u>	<u>0</u>		<u>60,485</u>

## **AUDIT EXCEPTION NO. 5**

### **SUBJECT: NON COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS**

**STATEMENT OF FACTS:** The utility prepares a manual trial balance, income statement and journal entries for utility purposes which is used to prepare the annual report. The account numbers and titles on the manual spreadsheets appear to conform with the Uniform System of Accounts, NARUC, Class B.

The Uniform System of Accounts, NARUC, Class B for wastewater, accounting instructions 2. A. states "Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto."

The utility provided a portion of the mechanized trial balances for both Chateau Communities and Hometown America. The trial balance for Hometown America has a division called Del Tura Utility, under the Assets sections it shows postings for the current period for "Building", however, there is no prior year end balance, even though there is a column for this. The current balance is, therefore, the same as the current period balance. The trial balance for Chateau has a prior year end balance which ties to an asset register. The amount appears to represent a few invoices for capital items, but does not tie to the total plant in service shown in the annual reports or the manual trial balance. The company explained it is not possible to reconcile the total plant in service from the annual reports to the corporate mechanized trial balances.

**AUDIT OPINION:** The utility does keep a manual trial balance, which uses the uniform system of accounts, for annual report preparation purposes. This trial balance should be able to be reconciled to the mechanized trial balance of Hometown America, including a beginning balance, current period activity and year end balance.

The purchase price may be recorded in a section of the corporate balance sheet not related to the utility or prior plant balances may have been expensed when additions were made. When items that should be capitalized have been expensed by the company, they may be considered contributed plant because the company has received a tax benefit from the write off. A reconciliation of the of the annual report plant to the corporate booked plant is necessary in order to determine if the plant should be included as an investment.

FPSC Order No. 11604 issued February 11, 1983 for IBSCO, Inc., states that contributions in aid of construction were "imputed as the difference between the amount of plant carried on the utility's books, and the amount depreciated for federal income tax purposes."

#### **IV. AUDIT DISCLOSURES**

##### **AUDIT DISCLOSURE NO. 1**

##### **SUBJECT: DEPRECIATION USING COMMISSION RULE**

**STATEMENT OF FACTS:** The company did not use the rates from Rule 25-30.140, Florida Administrative Code. The calculation using this rule for Class B is attached.

**AUDIT OPINION:** Accumulated depreciation would be decreased by \$18,792 using the attached calculation. This has not been adjusted on the attached rate base schedule.

SOURCE: ANNUAL REPORTS  
PLANT IN SERVICE

ACCT

	PLANT	1995	1996	1997	1998	1999	2000	2001	2002								
	12/31/94	ADDITIONS	12/31/95	ADDITIONS	12/31/96	ADDITIONS	12/31/97	ADDITIONS	12/31/98	ADDITIONS	12/31/99	ADDITIONS	12/31/00	ADDITIONS	12/31/01	ADDITIONS	12/31/02
353 Land and Land Rights	16,685		16,685		16,685		16,685		16,685		16,685		16,685		16,685		16,685
360 Colections Sewers Force	32,173		32,173		32,173		32,173		32,173		32,173		32,173		32,173		32,173
361 Colections Sewers Gravity	1,180,087		1,180,087		1,180,087		1,180,087		1,180,087		1,180,087		1,180,087		1,180,087		1,180,087
363 Services to Customers	110,520		110,520		110,520		110,520		110,520		110,520		110,520		110,520		110,520
371 Pumping Equipment	145,185		145,185	22,260	167,445		167,445		167,445		167,445		167,445		167,445		167,445
380 Treatment and Disposal	527,896		527,896		527,896		527,896	17,530	545,426		564,356	18,930	583,286		583,286	7,300	590,586
382 Outfall Sewer Lines	1,977		1,977		1,977		1,977		1,977		1,977		1,977		1,977		1,977
	2,014,523	0	2,014,523	22,260	2,036,783	0	2,036,783	17,530	2,054,313	18,930	2,073,243	18,930	2,092,173	0	2,092,173	7,300	2,099,473

RULE 25-30.140

ACCT

	DEPRECIATION RATES CLASS B	BALANCE 12/31/94	1995 ADDITIONS	12/31/95	1996 ADDITIONS	12/31/96	1997 ADDITIONS	12/31/97	1998 ADDITIONS	12/31/98
353 Land and Land Rights										
360 Colections Sewers Force	0.0333	12,847	1,071	13,918	1,071	14,990	1,071	16,061	1,071	17,132
361 Colections Sewers Gravity	0.0222	247,633	26,198	273,831	26,198	300,029	26,198	326,227	26,198	352,425
363 Services to Customers	0.0263	29,924	2,907	32,831	2,907	35,737	2,907	38,644	2,907	41,551
371 Pumping Equipment	0.0556	59,607	8,072	67,679	8,691	76,370	9,310	85,680	9,310	94,990
380 Treatment and Disposal	0.0556	192,310	29,351	221,661	29,351	251,012	29,351	280,363	29,838	310,201
382 Outfall Sewer Lines	0.0333	820	66	886	66	952	66	1,018	66	1,083
		<u>543,141</u>	<u>67,665</u>	<u>610,806</u>	<u>68,284</u>	<u>679,090</u>	<u>68,903</u>	<u>747,993</u>	<u>69,390</u>	<u>817,383</u>
PER COMPANY ANNUAL REPORT		<u>543,141</u>	<u>69,876</u>	<u>613,017</u>	<u>70,382</u>	<u>683,399</u>	<u>70,889</u>	<u>754,288</u>	<u>71,376</u>	<u>825,664</u>
DIFFERENCE		0	(2,211)	(2,211)	(2,098)	(4,309)	(1,986)	(6,295)	(1,986)	(8,281)



ACCT

	DEPRECIATION RATES CLASS B	1999 ADDITIONS	12/31/99	2000 ADDITIONS	12/31/00	2001 ADDITIONS	12/31/01	2002 ADDITIONS	12/31/02
353 Land and Land Rights									
360 Colections Sewers Force	0.0333	1,071	18,204	1,071	19,275	1,071	20,347	1,071	21,418
22 361 Colections Sewers Gravity	0.0222	26,198	378,623	26,198	404,821	26,198	431,019	26,198	457,216
363 Services to Customers	0.0263	2,907	44,457	2,907	47,364	2,907	50,271	2,907	53,177
371 Pumping Equipment	0.0556	9,310	104,300	9,310	113,610	9,310	122,920	9,310	132,230
380 Treatment and Disposal	0.0556	30,852	341,053	31,904	372,958	32,431	405,388	32,634	438,022
382 Outfall Sewer Lines	0.0333	66	1,149	66	1,215	66	1,281	66	1,347
		<u>70,404</u>	<u>887,787</u>	<u>71,456</u>	<u>959,243</u>	<u>71,982</u>	<u>1,031,225</u>	<u>72,185</u>	<u>1,103,411</u>
PER COMPANY ANNUAL REPORT		<u>72,390</u>	<u>898,054</u>	<u>73,418</u>	<u>975,170</u>	<u>73,418</u>	<u>1,048,588</u>	<u>73,615</u>	<u>1,122,203</u>
DIFFERENCE		(1,986)	(10,267)	(1,962)	(15,927)	(1,436)	(17,363)	(1,430)	(18,792)

**AUDIT DISCLOSURE NO. 2**

**SUBJECT: PLANT IN SERVICE INVOICES NOT INCLUDED IN ANNUAL REPORTS**

**STATEMENT OF FACTS:** The company provided various invoices for the years 1998 through October 2003 which total \$439,464 .

**AUDIT OPINION:** Of this amount \$4,400 appear to be related to repairs which would have been expensed. Also, \$168,000 relate to contract payments for which no detail description was received, we tried to contact the vendor and to date we did not receive a response. Approximately \$48,110 are related to work performed at the irrigation station. The remaining balance is \$218,954. See the attached schedule.

These invoices were not capitalized in the annual report as utility plant in service. We cannot determine if they were capitalized by the development due to the condition of the books discussed in exception number 5. If they were expensed by the developer, they may be considered contributed property.

Depreciation was calculated for the these invoices in the event that the company is able to provide proof of payment by the utility. The accumulated depreciation for the \$218,954 as of October 31, 2003 is \$37,695 if the company's rates are used and \$42,169 if Rule 25-30.140, Florida Administrative Code is used. See the attached depreciation schedules.

**RECAP OF INVOICES NOT ON ANNUAL REPORT**

<b>1998</b>		
ALL INVOICES - VENDOR WAYNES'S DIVERSIFIED SERVICES		
11/3/98	One previously operated lamson regen blower Price to be deducted from cost of new units	\$1,400.00
5/29/98	Build two aluminum screen boxes and installed on plant	\$1,812.00
5/29/98	Removed, rewound and reinstalled 20 hp pump, replaced breaker. Damage by unknown power surge	\$572.00 APPEARS TO BE REPAIR FOR IRRIGATION STATION
4/10/98	Furnish and deliver 1 4003 M.D. blower	\$1,060.00
4/10/98	Furnish and install 1 15 hp previously used pump. all wiring, control devices ,piping, valves and check valves. Replace broken 150 Amp, 600 volt main breaker	\$2,700.00 GOLF COURSE IRRIGATION STATION
Total 1998		\$7,544.00
<b>1999</b>		
11/20/99	Modify lift stations as required. Add baffles to chlorine contact tank. Replace automatic three way valve.	\$41,000.00
10/1/99	Removed existing air diffusers, header and blowers. Installed new air system complete per contract	\$51,200.00
5/23/99	Installed 2 blowers at lift stations. Includes all breakers and starters.	\$4,000.00
4/26/99	same as 10/01	\$12,800.00
Total 1999		\$109,000.00
<b>2000</b>		
5/19/00	Furnish 2 - 1/2 hp Stainless steel Ebara pumps	\$782.00
5/15/00	Spare parts for sewer system, furnish and deliver	\$1,800.00 APPEARS TO BE REPAIR
5/21/00	Furnish and install new lift station pumps and controls	\$27,000.00
8/13/00	Furnish and install new lift station pumps and controls	\$27,000.00
10/1/00	Remove existing surge pump control panel and install new; install new 2 hp Ebara pumps in surge	\$14,700.00
Total 2000		\$71,282.00
<b>2001</b>		
8/26/01	Furnish 2 -2hp pumps and 2 1hp pumps	\$4,200.00
<b>2002</b>		
12/18/02	Install new irrigation pumps and control panel	\$21,300.00 IRRIGATION STATION
4/12/02	Completion of mandated rehab and modifications added 1 new blower; added 2 new blower motors; replaced and rewired blower control panel so that all blowers are controlled from 1 source.	\$18,700.00
2/22/02	Mandated repairs (Needs more information from contractor)	\$85,000.00
12/17/02	Modify and renovate per specs and DEP instructions to conform to new permit limitations (Needs more information- from contractor)	\$83,000.00

Total 2002		\$208,000.00	
<b>2003</b>			
2/22/03	Install new pumps in backwash of filter Install new meter on mud well return Install new meters on irrigation effluent Install new pressure tank on irrigation	\$14,200.00	IRRIGATION STATION
3/10/03	Removed and replaced burned out 200 amp 3 pole main breaker, removed and cleaned all diffuser drops, replaced 3 heads.	\$2,600.00	APPEARS TO BE REPAIR
3/10/03	Removed existing 75 hp split phase motor. Replaced with new 75 hp inverter duty motor. Removed step start split phase starter system and replaced with new soft start system. Had motor shaft cut down and rethreaded to fit new style motor	\$9,338.00	IRRIGATION PUMP
8/14/03	Cleaned holding pond with track backhoe, installed pump station, pumps, controls installed new compressor	\$13,300.00	
Total 2003 through October		\$39,438.00	
Total		<b>\$439,464.00</b>	
		<b>\$4,400.00</b>	Repair related
		<b>\$48,110.00</b>	Irrigation station related
		<b><u>\$168,000.00</u></b>	Contract related, not enough description to classify
Total used in report		<b><u>\$218,954.00</u></b>	
Using 10/31/03 as audit date - transfer 10/16/03			
This invoice was recorded after transfer date			
11/06/03	Installed new mag meter on back wash line. Installed controls on diverter valve to DEP specs Installed cross over valve and piping on surge tank air. Installed new gates on surge box, and new airlift pipes in clarifiers Removed 12" cross over pipe from air bay #1 to #2	\$14,200.00	

**INVOICES NOT ON ANNUAL REPORT**

ACCT	1998		1999		2000		2001		2002		2003	
	ADDITIONS	12/31/98	ADDITIONS	12/31/99	ADDITIONS	12/31/00	ADDITIONS	12/31/01	ADDITIONS	12/31/02	ADDITIONS	10/31/03
354 Structures and Improvements	1,812	1,812		1,812		1,812		1,812		1,812		1,812
371 Pumping Equipment		0	45,000	45,000	69,482	114,482	4,200	118,682		118,682	13,300	131,982
380 Treatment and Disposal	2,460	2,460	64,000	66,460		66,460		66,460	18,700	85,160		85,160
	4,272	4,272	109,000	113,272	69,482	182,754	4,200	186,954	18,700	205,654	13,300	218,954

DEPRECIATION FOR INVOICES NOT ON THE ANNUAL REPORT

DEPRECIATION

ACCT

	DEPRECIATION RATES PER COMPANY	1998 ADDITIONS	12/31/98	1999 ADDITIONS	12/31/99	2000 ADDITIONS	12/31/00	2001 ADDITIONS	12/31/01	2002 ADDITIONS	12/31/02	2003 ADDITIONS	10/31/03
354 Structures and Improvement	0.0313	28	28	57	85	57	142	57	198	57	255	47	302
371 Pumping Equipment	0.0455	0	0	1,024	1,024	3,628	4,652	5,304	9,956	5,400	15,356	4,803	20,159
380 Treatment and Disposal	0.0556	68	68	1,916	1,984	3,695	5,680	3,695	9,375	4,215	13,590	3,946	17,535
		68	68	2,940	3,008	7,323	10,332	9,000	19,331	9,615	28,946	8,748	37,695

DEPRECIATION FOR INVOICES NOT ON THE ANNUAL REPORT

DEPRECIATION

RULE 25-30.140

ACCT

	DEPRECIATION RATES FOR CLASS B	1998 ADDITIONS	12/31/98	1999 ADDITIONS	12/31/99	2000 ADDITIONS	12/31/00	2001 ADDITIONS	12/31/01	2002 ADDITIONS	12/31/02	2003 ADDITIONS	10/31/03
354 Structures and Improvement	0.0313	28	28	57	85	57	142	57	198	57	255	47	302
371 Pumping Equipment	0.0556	0	0	1,251	1,251	4,434	5,685	6,482	12,167	6,599	18,765	5,869	24,634
380 Treatment and Disposal	0.0556	68	68	1,916	1,984	3,695	5,680	3,695	9,375	4,215	13,590	3,946	17,535
		68	68	3,167	3,235	8,129	11,364	10,177	21,541	10,814	32,355	9,814	42,169

### **AUDIT DISCLOSURE NO. 3**

#### **SUBJECT: PLANT IN SERVICE RECONCILED TO TAX RETURNS**

**STATEMENT OF FACTS:** The company provided a schedule that supports tax return depreciable assets. This schedule shows a per books figure and then allocates this figure to both Sun Coast Investment Group, Ltd. (Sun Coast) at two thirds and Euromerican Investment Group, Ltd. (Euromerican) at one third. This allocated figure agrees with the Depreciable Assets and Land on the 2002 tax returns, however, a breakdown of the per books figure on the schedule was never provided to determine if the amount of plant in service for the utility per the annual report agrees to the depreciable assets used for the tax return.

Sun Coast was a limited partnership formed to develop Phase I of Del Tura County Club. Euromerican and Sun Coast share the same general partners. Euromerican was formed to develop Phase II.

FPSC Order No. 11604 issued February 11, 1983 for IBSCO, Inc., states that contributions in aid of construction were "imputed as the difference between the amount of plant carried on the utility's books, and the amount depreciated for federal income tax purposes."

**AUDIT OPINION:** A higher booked value of plant than plant used for tax depreciation is indicative of contributed plant. Since the company cannot provide a reconciliation, we cannot determine if some of the plant should be contributed.



## **AUDIT DISCLOSURE NO. 4**

### **SUBJECT: REVENUES NOT BILLED TO DEVELOPER**

**STATEMENT OF FACTS:** The utility is not charging the general service tariffed rate for various facilities in the development. These include the clubhouse, satellite recreational areas, the sales/administration office and the construction office. Other facilities not mentioned in the tariff are not being charged. These include the security guard gate, three mini recreation areas and two T houses. See the following page for detail.

**AUDIT OPINION:** The utility should charge the developer for approximately \$6,529 for service to the above described facilities.

	<b>Quarterly Rate per Tariff</b>	<b>Annual Amount</b>
Clubhouse	\$652.87	\$2,611.48
Satellite Recreational Area 1	\$65.29	\$261.16
Satellite Recreational Area 2	\$65.29	\$261.16
Satellite Recreational Area 3	\$65.29	\$261.16
Sales/Administrative Offices	\$261.13	\$1,044.52
Construction Office	\$130.58	\$522.32
<b>Total</b>		<b>\$4,961.80</b>

**Additional facilities not on tariff**

	<b>Using residential rate</b>	<b>Annual Amount</b>
Security Guard Gate	\$65.29	\$261.16
3 Mini recreation areas	\$65.29	\$261.16
	\$65.29	\$261.16
	\$65.29	\$261.16
2 T houses	\$65.29	\$261.16
	\$65.29	\$261.16
<b>Total</b>		<b>\$1,566.96</b>
<b>Total all facilities</b>		<b>\$6,528.76</b>

## V. EXHIBITS

**RATE BASE SCHEDULE  
10/31/03**

	<b>PER ANNUAL REPORT 12/31/02</b>	<b>ADJUSTMENTS</b>	<b>STAFF ADJUSTED BALANCES 10/31/03</b>
Land	\$16,685		\$16,685
Utility Plant in Service	\$2,082,788	(\$237,646) EXP 2 (\$60,120) EXP 3 \$5,800 EXP 4	\$1,790,822
Accumulated Depreciation	(\$1,122,203)	\$43,075 EXP 2 \$74,699 EXP 2 \$15,496 EXP 3 (\$60,485) EXP 4	(\$1,049,418)
Contributions-in-aid-of- construction	\$0		\$0
CIAC Amortization	\$0		\$0
	<u><b>\$977,270</b></u>	<u><b>(\$219,181)</b></u>	<u><b>\$758,089</b></u>