



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: December 8, 2008

TO: Stephen B. Fletcher, Public Utilities Supervisor, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance *DN*

RE: Docket No: 080247-SU; Company Name: Utilities, Inc. of Eagle Ridge;
 Audit Purpose: Rate Case; Company Code: SU749;
 Audit Control No: 08-261-4-1;

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 a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

DNV/tbm
Attachment: Audit Report

CC: Division of Regulatory Compliance (Salak, Mailhot, Harvey,
 District Offices, File Folder)
 Office of Commission Clerk (2)
 General Counsel
 Office of Public Counsel

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FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING***

Miami District Office

UTILITIES, INC. OF EAGLE RIDGE

RATE CASE

AS OF DECEMBER 31, 2007

**DOCKET NO. 080247-SU
AUDIT CONTROL NO. 08-261-4-1**

Handwritten signature of Bety Maitre in cursive.

Bety Maitre, Audit Manager

Handwritten signature of Charleston Winston in cursive.

Charleston Winston, Audit Staff

Handwritten signature of Kathy Welch in cursive.

Kathy Welch, District Audit Supervisor

DOCUMENT NUMBER-DATE

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**DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT**

November 24, 2008

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

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated September 19, 2008. We have applied these procedures to the attached schedules which were prepared by Utilities, Inc. of Eagle Ridge in support of its filing for rate relief in Docket No. 080247-SU.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed upon procedures and the report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES

RATE BASE

General

Objective: To determine that the utility's filing represents its recorded results from continuing operations.

Procedures: We reconciled the following individual component rate base balances to the utility's general ledger as of December 31, 2006 and 2007 and verified that adjustments required in Order No. PSC-04-1107-PAA-SU, issued November 8, 2004, were recorded. Audit Finding One describes the adjustments not booked from the 2002 revised Minimum Filing Requirements (MFR's). Audit Finding Two adjusts the utility's entry to record the Accumulated Depreciation balance from the last order.

Utility-Plant-in-Service (UPIS)

Objective: To determine that property exists and is owned by the utility. To determine that additions to plant are authentic, recorded at original cost, and properly classified in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that the proper retirements of plant were made when a replacement item was put in service.

Procedures: We sampled plant additions for the period January 1, 2003 through December 31, 2007 for compliance with the stated objectives above. We verified whether the utility properly recorded retirements to plant when a capital item was removed or replaced. We toured the utility plant sites to observe whether asset additions were completed and to ascertain if asset retirements were properly recorded. We sampled construction project additions and the corresponding source documentation. We verified that the utility used Commission approved AFUDC rates. Audit Finding Six discusses retirements not made.

Land and Land Rights

Objective: To determine that utility land is recorded at original cost and is owned or secured under a long-term lease.

Procedures: We verified that there has been no change to utility land since its last rate proceeding by searching the county's public records. Audit Finding Five discusses our adjustments to the utility's land balance.

Contributions-in-Aid-of-Construction (CIAC)

Objective: To determine that additions to CIAC are properly recorded in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that CIAC additions are reflective of the utility's Commission-approved service availability tariff. To verify and insure that all donated property is properly accounted for and recorded as CIAC and UPIS.

Procedures: We sampled CIAC additions for the period January 1, 2003 through December 31, 2007 for compliance with the stated objectives above. We reviewed developer agreements for unrecorded CIAC. We traced utility CIAC schedules to the general ledger and the utility's authorized tariff rates. We toured the utility's authorized service territory to look for new developments that may have included contributed property. Audit Finding Three

adjusts the company allocation of CIAC for compliance with Commission Rule 25-30.140, F.A.C.

Accumulated Depreciation

Objective: To determine that accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that depreciation expense accruals are calculated using the Commission authorized rates and that retirements are properly recorded.

Procedures: We traced the accumulated depreciation schedules to the corresponding plant schedules. We verified that the utility used Commission authorized rates to depreciate its plant accounts by calculating a sample of accumulated depreciation account balances to test for calculation errors. We verified whether the utility properly recorded retirements to accumulated depreciation when the corresponding plant was removed or replaced. We recalculated a sample of accumulated depreciation account balances from January 1, 2003 to December 31, 2007. Audit Finding Seven discusses the errors in the calculation of depreciation and amortization expense for 2007. Audit Finding Eight discusses problems with accumulated depreciation in prior years.

Accumulated Amortization of CIAC

Objective: To determine that accruals to accumulated amortization of CIAC are properly recorded in compliance with Commission rules and the NARUC Uniform System of Accounts. To verify that CIAC amortization expense accruals are properly recorded and calculated based on the rates and method used in the utility's last rate proceeding.

Procedures: We traced the accumulated amortization of CIAC schedules to the corresponding CIAC schedules. We verified that the utility used Commission authorized rates to amortize its CIAC accounts by calculating a sample of accumulated amortization account balances to test for calculation errors. We recalculated a sample of accumulated amortization of CIAC account balances from January 1, 2003 to December 31, 2007. Audit Finding Four adjusts accumulated amortization for the error in the company reclassification of sub-accounts. Audit Finding Seven discusses the errors in the calculation of depreciation and amortization expense for 2007.

Working Capital

Objective: To determine that the utility's working capital balance is properly calculated in compliance with Commission rules.

Procedures: We recalculated the utility's working capital balance as of December 31, 2007.

Other Rate Base Items

Objective: To determine that other component balances affecting rate base are properly stated and authorized by Commission rules or prior orders.

Procedures: Determine that adjustments to include allocated rate base balances for subsidiary operations are properly reported in the filing.

NET OPERATING INCOME

General

Objective: To determine that the utility's filing represents its results from continuing operations.

Procedures: We reconciled the following individual component net operating income balances to the utility's general ledger for the 12-month period ended December 31, 2007.

Revenues

Objective: To determine that revenues are properly recorded in compliance with Commission rules and are based on the utility's Commission approved tariff rates.

Procedures: We traced revenues to the utility's general ledger and we reconciled a sample of the third-party billing summaries to the utility's revenue reports.

Operation and Maintenance Expenses (O&M)

Objective: To determine that operation and maintenance expenses are properly recorded in compliance with Commission rules and were reasonable and prudent for ongoing utility operations.

Procedures: We sampled O&M expense items from the general ledger based on auditor judgment. We reviewed the sample for the proper utility system, classification, NARUC account, amount, period and recurring nature. We examined invoices and supporting documentation to determine if the above objectives are met.

Taxes-Other-Than-Income (TOTI)

Objective: To determine that taxes other than income tax expenses are properly recorded in compliance with Commission rules and were reasonable and prudent for ongoing utility operations.

Procedures: We obtained the regulatory assessment fee (RAF) filings and reconciled them to the general ledger. We obtained the property tax bills for review and to determine if the amount booked reflects the discount amount.

Depreciation Expense

Objective: To determine that depreciation expense is properly recorded in compliance with Commission rules and that it accurately represents the depreciation of plant assets and amortization of CIAC assets for ongoing utility operations.

Procedures: We recalculated a sample of depreciation expense and CIAC amortization expense balances for the period using Commission approved rates and we verified that CIAC amortization expense was properly netted against depreciation expense. Audit Finding Seven discusses the errors in the calculation of depreciation and amortization expense for 2007.

CAPITAL STRUCTURE

General

Objective: To determine the components of the utility's capital structure and the respective cost rates used to arrive at the overall weighted cost of capital are properly recorded in compliance with Commission rules and that it accurately represents the ongoing utility operations.

Procedures: We reconciled the individual component capital structure balances to the utility's general ledger as of December 31, 2007.

Accumulated Deferred Income Taxes

Objective: To determine that accumulated deferred income taxes are properly stated and calculated based on the recorded differences between utility book and taxable income.

Procedures: Recalculated a sample of deferred tax balances for the period using Commission authorized rates and federal tax rates.

AUDIT FINDING NO. 1

SUBJECT: RATE BASE ADJUSTMENTS FROM PRIOR RATE CASE NOT BOOKED

AUDIT ANALYSIS: Our analysis of the rate base accounts revealed that the utility prepared two sets of adjustments related to its rate case filing in Docket 030445-SU, for the test year ended December 31, 2002. The utility filed revised MFRs and included the first set of adjustments, reflecting the audit adjustments that the company had accepted. These adjustments were never booked. The second set of adjustments was based on Commission Order PSC-04-1107-PAA-SU, which was based on the revised MFRs. In 2006, using an effective date of December 31, 2005, the utility booked the adjustments included in the Commission Order and retroactively adjusted accumulated depreciation to account for the roll-forward effect. However, most of the adjustments were posted to the wrong sub-accounts. Furthermore, most, but not all, of the entire roll-forward depreciation adjustments were incorrectly calculated.

Our adjustments to correct the second set of adjustments are included in Audit Finding No. 2. This Audit Finding addresses the first set of adjustments. The adjustments made to the revised MFRs that were not booked are listed below. These are included as average amounts in the MFRs.

Description	Adjustments @ 12/2001 Debit (Credit)	Adjustments @ 12/2002 Debit (Credit)	Average Adjustments Debit (Credit)
Plant	(\$106,671)	\$(106,672)	\$(106,672)
Accumulated Depreciation	\$474,675	\$387,132	\$430,903
CIAC	\$(252,084)	\$(252,084)	\$ (252,084)
Accumulated Amortization	\$(565,114)	\$(496,385)	\$(530,750)

The schedules that follow show the year-end adjustments to rate base from the revised 2002 filing; adjustments accepted by the company for rate base, plant, accumulated depreciation, CIAC, and accumulated amortization of CIAC; and adjustments needed to make the beginning balances reflective of the order. They also show the additional adjustments needed to account for cumulative effects of not posting the Commission ordered adjustments correctly.

Although plant is decreased by \$106,670, the debits to the plant accounts are depreciated at a higher rate than the credits which causes an increase in depreciation expense and accumulated depreciation.

EFFECT ON GENERAL LEDGER: The entries on the next page are needed to fully comply with the last rate case.

Effect on General Ledger:

NARUC Acc	Utility New Acc	Utility Old Acc	Description	Debit	Credit
403	6640	4033001	Depre-Organization		1,679
403	6645	4033020	Depre-Franchises Intang Plt		6,059
403	6660	4033011	Depre-Struct/Imprv Pump Plt LS	1,390	
403	6680	4033003	Depre-Struct/Imprv Gen Plt Bldg	279	
403	6710	4033006	Depre-Sewer Force Main/Service Lines	435	
403	6715	4033008	Depre-Sewer Gravity Main/Manholes		98
403	6760	4033004	Depre-Treat/Disp Equip Lagoon	6,209	
403	6765	4033005	Depre-Treat/Disp Equip Trt Plt		395
403	6835	4033094	Depre-Tool Shop & Misc Eqpt	2,042	
108	2030	1084001	Acc Depre-Organization	8,394	
108	2040	1084020	Acc Depre Franchise Intang Plt	30,296	
108	2055	1084011	Acc Depre-Struct/Imprv Pump Plt LS		6,951
108	2075	1084003	Acc Depre-Struct/Imprv Gen Plt		1,397
108	2105	1084006	Acc Depre-Sewer Force Main/Srvc Lines		2,174
108	2110	1084008	Acc Depre-Sewer Grvty Main/Man	491	
108	2155	1084004	Acc Depre-Treat/Dis Eqp Lagoon		31,047
108	2160	1084005	Acc Depre-Treat/Dis Eqp Trt Plt	1,976	
108	2230	1084094	Acc Depre-Tool Shop & Misc Eqpt		10,209
407	7245	2721003	Amort Struct/Imprv Gen Plt Bldg		82
407	7325	2721004	Amort Treat/Disp Equip Lagoon		17
407	7330	2721005	Amort Treat/Disp Equip Trt Plt		8,586
407	7275	2721006	Amort Swr Force Main/Srvc Lines		179
407	7275	2721007	Amort Swr Force Main/Srvc Lines		175
407	7280	2721008	Amort Gravity Main/Manholes		1,532
407	7350	2721009	Amort Outfall Lines		27
407	7225	2721011	Amort Struct/Imprv Pump Plt LS		350
407	7240	2721012	Amort Struct/Imprv ReIm Dist		23
407	7280	2721098	Amort Gravity Main/Manholes		30
272	4070	2723003	Acc Amort Struct/Imprv Gen Plt Bldg	409	
272	4150	2723004	Acc Amort Treat/Disp Equip Lagoon	86	
272	4155	2723005	Acc Amort Treat/Disp Equip Trt Plt	42,928	
272	4100	2723006	Acc Amort Swr Force Main/Srvc Lines	893	
272	4100	2723007	Acc Amort Swr Force Main/Srvc Lines	876	
272	4105	2723008	Acc Amort Gravity Main/Manholes	7,660	
272	4175	2723009	Acc Amort Outfall Lines	135	
272	4050	2723011	Acc Amort Struct/Imprv Pump Plt LS	1,750	
272	4065	2723012	Acc Amort Struct/Imprv ReIm Dist	114	
272	4105	2723098	Acc Amort Gravity Main/Manholes	149	
215	4998	2151000	Retained Earn-Prior Years	447,177	
Total				1,204,909	1,204,909

EFFECT ON FILING: Plant, accumulated depreciation, and accumulated amortization should be decreased by \$106,670, \$361,839 (\$372,461-\$10,622), and \$441,386 (\$496,386-\$55,000), respectively; and CIAC, depreciation expense and amortization expense should be increased by \$252,085, \$2,124, and \$11,000, respectively.

Effect on General Ledger:

NARUC Acc	Utility New Acc	Utility Old Acc	Description	Debit	Credit
403	6640	4033001	Depre-Organization		1,679
403	6645	4033020	Depre-Franchises Intang Plt		6,059
403	6660	4033011	Depre-Struct/Imprv Pump Plt LS	1,390	
403	6680	4033003	Depre-Struct/Imprv Gen Plt Bldg	279	
403	6710	4033006	Depre-Sewer Force Main/Service Lines	435	
403	6715	4033008	Depre-Sewer Gravity Main/Manholes		98
403	6760	4033004	Depre-Treat/Disp Equip Lagoon	6,209	
403	6765	4033005	Depre-Treat/Disp Equip Trt Plt		395
403	6835	4033094	Depre-Tool Shop & Misc Eqpt	2,042	
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108	2075	1084003	Acc Depre-Struct/Imprv Gen Plt		1,397
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108	2155	1084004	Acc Depre-Treat/Dis Eqp Lagoon		31,047
108	2160	1084005	Acc Depre-Treat/Dis Eqp Trt Plt	1,976	
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407	7245	2721003	Amort Struct/Imprv Gen Plt Bldg		82
407	7325	2721004	Amort Treat/Disp Equip Lagoon		17
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407	7275	2721006	Amort Swr Force Main/Srvc Lines		179
407	7275	2721007	Amort Swr Force Main/Srvc Lines		175
407	7280	2721008	Amort Gravity Main/Manholes		1,532
407	7350	2721009	Amort Outfall Lines		27
407	7225	2721011	Amort Struct/Imprv Pump Plt LS		350
407	7240	2721012	Amort Struct/Imprv Rclm Dist		23
407	7280	2721098	Amort Gravity Main/Manholes		30
272	4070	2723003	Acc Amort Struct/Imprv Gen Plt Bldg	409	
272	4150	2723004	Acc Amort Treat/Disp Equip Lagoon	86	
272	4155	2723005	Acc Amort Treat/Disp Equip Trt Plt	42,928	
272	4100	2723006	Acc Amort Swr Force Main/Srvc Lines	893	
272	4100	2723007	Acc Amort Swr Force Main/Srvc Lines	876	
272	4105	2723008	Acc Amort Gravity Main/Manholes	7,660	
272	4175	2723009	Acc Amort Outfall Lines	135	
272	4050	2723011	Acc Amort Struct/Imprv Pump Plt LS	1,750	
272	4065	2723012	Acc Amort Struct/Imprv Rclm Dist	114	
272	4105	2723098	Acc Amort Gravity Main/Manholes	149	
215	4998	2151000	Retained Earn-Prior Years	447,177	
Total				1,204,909	1,204,909

EFFECT ON FILING: Plant, accumulated depreciation, and accumulated amortization should be decreased by \$106,670, \$361,839 (\$372,461-\$10,622), and \$441,386 (\$496,386-\$55,000), respectively; and CIAC, depreciation expense and amortization expense should be increased by \$252,085, \$2,124, and \$11,000, respectively.

The average balance for accumulated depreciation and accumulated amortization are different from year end as follows.

	Beginning Balance	Ending Balance	Average
Accumulated Depreciation	372,461	361,839	367,150
Accumulated Amortization	496,386	441,386	468,886

Schedule of Adjustments to Rate Base

Florida Public Service Commission

Company: Utilities, Inc. of Eagle Ridge
 Schedule Year Ended: December 31, 2002
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-3
 Page 1 of 2
 Docket No.: 030445-WS
 Preparer: Seidman, F.
 Revised: 5/11/04

Explanation: Provide a detailed description of all adjustments to rate base per books, with a total for each rate base line item.

Line No.	Description	Water	Wastewater
1	(A1) <u>Utility Plant in Service - Proforma</u>		
2	Acct. 380.4 WWTP Aeration Improvement		10,000
3	Acct. 380.4 Install Aqua Disc Filter		150,000
4	Acct. 370.3 Pump Sta. #5, increase capacity		25,000
5	Acct. 380.4 Install Catwalk Toeboard @ WWTP		5,767
6	Acct. 380.4 Install Toeboard @ C Contact Chamber		19,013
7	(A2) <u>Adjustments to Transfer Order/Audit</u>		(106,668)
8	Total Plant in Service	\$	103,112
9	(B) <u>Non-Used & Useful Plant in Service (Page A-7)</u>	\$	(132,313)
10	(C) <u>GWIP</u>		
11	GWIP not included in rate base	\$	(5,194)
12	(D) <u>Accumulated Depreciation - Proforma</u>		
13	Acct. 380.4 WWTP Aeration Improvement		(556)
14	Acct. 380.4 Install Aqua Disc Filter		(8,333)
15	Acct. 370.3 Pump Sta. #5, increase capacity		(1,389)
16	Acct. 380.4 Install Catwalk Toeboard @ WWTP		(180)
17	Acct. 380.4 Install Toeboard @ C Contact Chamber		(594)
18	(D2) <u>Adjustments to Transfer Order/Audit</u>		430,902
19	Total Accumulated Depreciation	\$	419,850
20	(E1) <u>CIAC - Adjustments to Transfer Order/Audit</u>		(252,084)
21	(E2) <u>Amort. CIAC - Adjustments to Transfer Order/Audit</u>		(530,765)
22	(F) <u>Acquisition Adjustment</u>		
23	Acquisition Adjustment not included in rate base		(155,479)
24	Amort. of Acquisition Adjustment not included in rate base		22,096
25	(F) <u>Working Capital</u>		
26	Adjusted O&M (Page A-17), divided by 8		67,901
27	Total	\$	\$ (462,876)

Plant Adjustments Not Booked

NARUC Acc#	Utility New Acc#	Utility Old Acc#	Description	Plant @12/31/2002 Per T/B	Revised MFR Plant @ 12/31/2002	2002 Audit Adj Per Utility
351	1245	3511001	Organization	98,590	31,441	(67,149)
352	1250	3521020	Franchises Intang Plt	243,953	1,583	(242,370)
353	1285	3537002	Land & Land Rights General Plt	39,579	39,579	
354	1295	3542011	Struct/Imprv Pump PLT LS	227,208	271,694	44,486
354	1310	3547012	Struct/Imprv Reclaim Wtr Dist Plt	14,827	14,827	
354	1315	3547003	Struct/Imprv Gen Plt Bldg	53,159	62,084	8,925
363	1345	3602006	Sewer Force Main/Service Lines	137,673	154,208	16,535
360	1345	3602007	Sewer Force Main/Service Lines	106,634	106,634	
361	1350	3612008	Sewer Gravity Main/Manholes	1,398,885	1,394,464	(4,421)
361	1350	3612010	Sewer Gravity Main/Manholes	18,180	18,180	
380	1395	3804004	Treat/Disp Equip Lagoon	6,291	118,053	111,762
380	1400	3804005	Treat/Disp Equip Trt Plt	3,135,715	3,128,607	(7,108)
382	1420	3824009	Outfall Lines	16,375	16,375	
390	1455	3907090	Office Struct & Imprv	2,972	2,972	
390	1460	3907091	Office Furn & Equip	412	412	
393	1470	3937094	Tool Shop & Misc Eqpt	18,482	51,151	32,669
394	1475	3947095	Laboratory Equip	7,937	7,937	
398	1495	3547050	Sewer Plant Allocated	36,762	36,762	
391	1555	3917000	Transportation Eqpt Wtr	49,353	49,353	
390	1575	3406050	Desktop Computer	3,023	3,023	
Total				5,616,011	5,509,340	(106,670)

Roll Forward Depreciation Expense for Plant Not Booked

NARUC Acc	Utility New Acc#	Utility Old Acc#	Description	Rate	2002 Audit Adj Per Utility	Annual Depreciation Expense	Acc Depre 2003 - 2007 Roll Forward
351	1245	3511001	Organization	2.50%	(67,149)	(1,679)	8,394
352	1250	3521020	Franchises Intang Plt	2.50%	(242,370)	(6,059)	30,296
354	1295	3542011	Struct/Imprv Pump PLT LS	3.13%	44,486	1,390	(6,951)
354	1315	3547003	Struct/Imprv Gen Plt Bldg	3.13%	8,925	279	(1,397)
363	1345	3602006	Sewer Force Main/Service Lines	2.63%	16,535	435	(2,174)
361	1350	3612008	Sewer Gravity Main/Manholes	2.22%	(4,421)	(98)	491
380	1395	3804004	Treat/Disp Equip Lagoon	5.56%	111,762	6,209	(31,047)
380	1400	3804005	Treat/Disp Equip Trt Plt	5.56%	(7,108)	(395)	1,976
393	1470	3937094	Tool Shop & Misc Eqpt	6.25%	32,669	2,042	(10,209)
Total					(106,670)	2,124	(10,622)

CIAC Not Booked Allocation with Roll Forward Accumulated Amortization of CIAC

NARUC	Utility New Acc#	Description	Plant @12/31/2002 Per T/B	% to Total	As of 12/31/2002 Allocated	Rate	A/A Annual Expense	2003 - 2007 Roll Forward
354	1295	Struct/Imprv Pump PLT LS	227,208	4.44%	(11,198)	3.13%	(350)	1,750
354	1310	Struct/Imprv Reclaim Wtr Dist Plt	14,827	0.29%	(731)	3.13%	(23)	114
354	1315	Struct/Imprv Gen Plt Bldg	53,159	1.04%	(2,620)	3.13%	(82)	409
363	1345	Sewer Force Main/Service Lines	137,673	2.69%	(6,785)	2.63%	(179)	893
360	1345	Sewer Force Main/Service Lines	106,634	2.08%	(5,255)	3.33%	(175)	876
361	1350	Sewer Gravity Main/Manholes	1,398,885	27.35%	(68,942)	2.22%	(1,532)	7,660
361	1350	Sewer Gravity Main/Manholes	18,180	0.36%	(896)	3.33%	(30)	149
380	1395	Treat/Disp Equip Lagoon	6,291	0.12%	(310)	5.56%	(17)	86
380	1400	Treat/Disp Equip Trt Plt	3,135,715	61.30%	(154,540)	5.56%	(8,586)	42,928
382	1420	Outfall Lines	16,375	0.32%	(807)	3.33%	(27)	135
		Total	5,114,947	100%	(252,084)		(11,000)	55,000
271		CIAC Sewer Adj Not Booked	(252,084)					
271		Less Tap	-					
271		Unidentified Portion of CIAC	(252,084)					

Accumulated Depreciation Not Booked

NARUC Acc #	Utility New Acc#	Description	A/D @12/31/2002 Per T/B	Revised MFR A/D @ 12/31/2002	2002 Audit Adj Accepted Per Utility
108	2030	Acc Depre-Organization	(12,466)	(8,387)	4,079
108	2040	Acc Depre Franchise Intang Plt	(31,010)	(277)	30,733
108	2075	Acc Depre-Struct/Imprv Gen Plt	(11,327)	(5,158)	6,169
108	2105	Acc Depre-Sewer Force Main/Srvc Lines	(88,721)	(83,349)	5,372
108	2110	Acc Depre-Sewer Grvty Main/Man	(402,689)	(381,970)	20,719
108	2105	Acc Depre-Sewer Force Main/Srvc Lines	(37,633)	(50,539)	(12,906)
108	2055	Acc Depre-Struct/Imprv Pump Plt LS	(85,399)	(29,235)	56,164
108	2030	Acc Depre-Organization	(9,043)	-	9,043
108	2155	Acc Depre-Treat/Dis Eqp Lagoon	(360)	(31,919)	(31,559)
108	2160	Acc Depre-Treat/Dis Eqp Trt Plt	(1,476,709)	(1,175,906)	300,803
108	2180	Acc Depre-Outfall Lines	(3,924)	(819)	3,105
108	2070	Acc Depre-Struct/Imprv Rclm Dst	(329)	(741)	(412)
108	2215	Acc Depre-Office Structure	691	(99)	(790)
108	2220	Acc Depre-Office Furn/Eqpt	(70)	(79)	(9)
108	2305	Acc Depre-Transportation (Headquarters)	(38,830)	(24,934)	13,896
108	2075	Acc. Depre-Sewer Allocated (Headquaters)	-	(7,510)	(7,510)
108	2230	Acc Depre-Tool Shop & Misc Eqpt	(8,056)	(22,888)	(14,832)
108	2235	Acc Depre-Laboratory Eqpt	1,830	(2,044)	(3,874)
108	2110	Acc Depre-Sewer Gravity Main/Manholes	(2,841)	(2,186)	655
108	2315	Acc Depre-Computer Allocated (Headquarters)	(2,881)	(1,440)	1,441
108	2010	Acc Depre-Other Tang Plt Water (Headquarters)	(6,845)	-	6,845
Year End Total			(2,216,613)	(1,829,480)	387,133
Less Headquarters ¹					<u>(14,672)</u>
Total Suggested Corrections					372,461

¹ Although the utility did not book the adjustments to the revised MFRs, we believe adjustments to headquarter allocated balances should not be made. These balances are reversed quarterly and therefore have been corrected during normal business activity. However, they have been included in the schedules mentioned below so the schedules are easy to follow.

Accumulated Amortization Not Booked Allocation

NARUC Acc#	Utility New Acc#	Utility Old Acc#	Description	A/A @12/31/2002 Per T/B	Revised MFR A/A @ 12/31/2002	2002 Audit Adj Accepted Per Utility
272	4030	2723000	Acc Amort Undistributed/Tap	1,974,764	1,478,378	(496,386)
Year End Balance				1,974,764	1,478,378	(496,386)

Should be allocated as follow to adhere with Rule 25-30.140, F.A.C.

NARUC Acc#	Utility New Acc#	Utility Old Acc#	Description	CIAC @12/31/2002 Allocated Per Staff	% to Total	Allocation @12/31/2002
271	3520	2721000	CIAC-Organization	-	0.00%	-
271	3520	2721003	CIAC-Struct/Imprv Gen Plt Bldg	(36,351)	1.03%	(5,092)
271	3600	2721004	CIAC-Treat/Disp Equip Lagoon	(4,302)	0.12%	(603)
271	3605	2721005	CIAC-Treat/Disp Equip Trt Plt	(2,144,248)	60.51%	(300,387)
271	3550	2721006	CIAC-Sewer Force Main/Srvc Lines	(94,143)	2.66%	(13,188)
271	3550	2721007	CIAC-Sewer Force Main/Srvc Lines	(72,918)	2.06%	(10,215)
271	3555	2721008	CIAC-Sewer Gravity Main/Manholes	(956,578)	27.00%	(134,007)
271	3625	2721009	CIAC-Outfall Lines	(11,197)	0.32%	(1,569)
271	3705	2721010	CIAC-Sewer-Tap	(45,672)	1.29%	(6,398)
271	3500	2721011	CIAC-Struct/Imprv Pump Plt LS	(155,368)	4.38%	(21,765)
271	3520	2721012	CIAC-Struct/Imprv Gen Plt	(10,139)	0.29%	(1,420)
271	3555	2721098	CIAC-Sewer Gravity Main/Manholes	(12,432)	0.35%	(1,742)
Total				(3,543,348)	100.00%	(496,386)

AUDIT FINDING NO. 2

SUBJECT: CORRECTIONS TO PRIOR RATE CASE ORDERED ADJUSTMENTS

AUDIT ANALYSIS: Order PSC-04-1107-PAA-WS, issued November 8, 2004, for the test year ended 2002, required specific adjustments to be made. They are:

<u>Accumulated Depreciation</u>	<u>Amount</u>
Remove acquisition costs	\$543
Remove unsupported, misclassified and improper plant additions (A/E 3&4)	\$4,439
Adjust for retirements not made	<u>\$306,117</u>
Total	\$311,099

Our analysis of the recorded adjustments for the last rate case shows that the utility booked all \$311,099 adjustments subsequent to the revised filing and an additional \$96,539 (\$407,638-\$311,099) to account for the cumulative effect of depreciation rolling forward. However, some sub-accounts referenced by the last audit's work papers do not reconcile to the entries booked. In addition, the cumulative effect of posting the 2002 adjusting entries in 2006, with an effective date of December 31, 2005 does not adhere to rule 25-30.140, F.A.C.. The utility does not appear to maintain the calculations behind the entries, but it appears that the utility multiplied the order amount by the number of service years, not taking into account the ordered amount plus an additional three years until the entries were booked.

A/E or A/D	NARUC	Utility	Description	Staff	Utility	Difference
	Acc #	Old			Debit (Credit)	
A/E 2	351	1084001	Organization	1,629	1,629	-
A/E 3	361	1084008	Collection Sewers - Gravity	249	3,374	(3,125)
A/D 3 & A/E 3&4	380	1084005	Treatment & Disposal Eqpt Plt	357,672	376,058	(18,386)
A/E 4	380	1084004	Treat/Dis Eqp Lagoon	-	15,884	(15,884)
A/D 3	354	1084011	Struct/Imprv Pump PLT LS	-	10,693	(10,693)
A/D 3	354	1084012	Struct/Imprv Reclaim Wtr Dist Plt	10,396	-	10,396
Total				369,946	407,638	(37,692)

The schedule that follows shows the calculations for the staff accumulated depreciation in the summary schedule above. The utility column is the summation of the posted entries by accounts.

EFFECT ON GENERAL LEDGER: The following entries are needed to correct the utility's ledger.

Effect on General Ledger

NARUC	Utility Old	Description	Debit	Credit
Acc #	Acc #			
361	1084008	Collection Sewers - Gravity		3,125
380	1084005	Treatment & Disposal Eqpt Plt		18,386
380	1084004	Treat/Dis Eqp Lagoon		15,884
354	1084011	Struct/Imprv Pump PLT LS		10,693
354	1084012	Struct/Imprv Reclaim Wtr Dist Plt	10,396	
215	2151000	Retained Earnings	37,692	
		Total	48,088	48,088

EFFECT ON FILING: Accumulated depreciation should be increased by \$37,692.

2002 Audit Adjustments Booked - Staff Recalculation of Roll Forward of Accumulated Depreciation

A/E or A/D	NARUC	Acc #	Description	Plant Amt	Rate	Service Life @ 2005	A/D Per Staff	
A/E 3	380	1084005	Treatment & Disposal Eqpt Plt	3804005	5,024	5.56%	3.00	838
A/E 3	380	1084005	Treatment & Disposal Eqpt Plt	3804005	ADJUSTMENT PER ORDER			279
A/E 3	380	1084005	Treatment & Disposal Eqpt Plt	3804005	ADJUSTMENT PER ORDER			89
A/E 3	380	1084005	Treatment & Disposal Eqpt Plt	3804005	1,606	5.56%	3.00	268
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	115	5.56%	3.00	19
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	8,856	5.56%	3.00	1,477
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	1,209	5.56%	3.00	202
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	4,721	5.56%	3.00	787
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	141	5.56%	3.00	24
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	404	5.56%	3.00	67
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	161	5.56%	3.00	27
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	41	5.56%	3.00	7
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	481	5.56%	3.00	80
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	ADJUSTMENT PER ORDER			2,048
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	ADJUSTMENT PER ORDER			1,955
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	142	5.56%	3.00	24
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	1,467	5.56%	3.00	245
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	<u>17,738</u>			<u>7,330</u>
A/E 4	380	1084005	Treatment & Disposal Eqpt Plt	3804005	<u>19,120</u>	5.56%	3.00	<u>3,189</u>
					<u>36,858</u>			<u>10,519</u>
A/D 3	380	1084005	Treatment & Disposal Eqpt Plt	3804005	41,798	5.56%	3.00	6,966
		1084005	Treatment & Disposal Eqpt Plt	3804005	30,805	5.56%	3.00	5,134
		1084005	Treatment & Disposal Eqpt Plt	3804005	103,764	5.56%	3.00	17,294
		1084005	Treatment & Disposal Eqpt Plt	3804005	23,105	5.56%	3.00	3,851
		1084005	Treatment & Disposal Eqpt Plt	3804005	14,916	5.56%	3.00	2,486
		1084005	Treatment & Disposal Eqpt Plt	3804005	15,712	5.56%	3.00	2,619
		1084005	Treatment & Disposal Eqpt Plt	3804005	<u>66,512</u>	5.56%	3.00	<u>11,085</u>
					296,612			49,435
		1084005	Treatment & Disposal Eqpt Plt	3804005	296,612	RETIREMENT ORDER		<u>296,612</u>
								<u>357,672</u>

380

2002 Audit Adjustments Booked - Staff Recalculation of Roll Forward of Accumulated Depreciation

A/E or A/D	NARUC	Acc #	Description	Plant Acc	Amount	Rate	Service Life @ 2005	A/D Per Staff	
A/E 2	351	1084001	Organization	3511001		14,483	2.50%	3.00	1,086
	351	1084001	Organization						543
				351					<u>1,629</u>
A/E 3	361	1084008	Collection Sewers - Gravity	3612008		1,708	2.22%	3.00	114
A/E 3	361	1084008	Collection Sewers - Gravity	3612008					43
A/E 3	361	1084008	Collection Sewers - Gravity	3612008					25
A/E 3	361	1084008	Collection Sewers - Gravity	3612008		1,005	2.22%	3.00	67
				361					<u>249</u>
A/D 3	354	1084012	Struct/Imprv Reclaim Wtr Dist Plt	3804012		9,505	3.13%	3.00	891
		1084012	Struct/Imprv Reclaim Wtr Dist Plt	3804012		9,505	RETIREMENT ORDER		9,505
				354					<u>10,396</u>
									<u>369,946</u>
									<u>311,099</u>
									ADJ. FROM ORDER

AUDIT FINDING NO. 3

SUBJECT: 2003 CIAC ALLOCATION ADJUSTMENT

AUDIT ANALYSIS: The utility allocated its CIAC general ledger balance in 2004, with an effective date of December 31, 2003 in order to comply with Rule 25-30.140, Florida Administrative Code, which required CIAC that can be specifically associated with a corresponding plant account to be allocated and amortized using the same depreciation rates as the corresponding plant account.

The utility computed the CIAC allocations separately for the Eagle Ridge and Cross Creek wastewater plants using the following methodology. The utility allocated the balance for undistributed CIAC which represented cash collections to the sub-account CIAC-Sewer-Tap. The remaining undistributed CIAC balance was then redistributed to specific CIAC sub-accounts based on the percentage of total plant, excluding balances in organization, franchise, and general plant. Last the amortization for the current year of redistributed balances is computed. The utility did not re-distribute the accumulated amortization balance of \$1,974,764 in the undistributed accumulated amortization sewer CIAC account.

Our analysis of the utility books reveals that the utility used the incorrect balance for December 31, 2002 to calculate and redistribute CIAC. The 2002 trial balance shows that the Eagle Ridge and Cross Creek combined balance for the undistributed portion of CIAC was \$3,497,676 (total CIAC of 3,543,348 less tap fees of \$45,672). The schedules that follow shows that Eagle Ridge and Cross Creek undistributed CIAC balance, per the utility, at December 31, 2002 is \$2,652,049 and \$941,331, respectively. Collectively, the balance of \$3,593,803 (\$2,652,049+\$941,331) over allocated the undistributed CIAC redistribution by \$95,704 (\$3,593,380- 3,497,676). Also, the utility used some, but not all rule rates to calculate the amortization expense for 2003.

We have recalculated the adjustments using the combined balances for Eagle Ridge and Cross Creek wastewater plant. The schedules that follow depicts the utility's calculations for CIAC and accumulated amortization, the staff calculations using the same methodology and CIAC adjustments needed to correct the allocation issues, and the cumulative effects of not using the correct rates.

EFFECT ON GENERAL LEDGER: The adjustments that should be made to the CIAC and accumulated amortization accounts to correct the balances are on the next page.

Effect on General Ledger:

NARUC Acc#	Utility		Debit	Credit
	Acc#	Description		
271	3520	CIAC-Undist		95,704
271	3520	CIAC-Struct/Imprv Gen Plt Bldg		475
271	3600	CIAC-Treat/Disp Equip Lagoon	382	
271	3605	CIAC-Treat/Disp Equip Trt Plt		49,026
271	3550	CIAC-Sewer Force Main/Srvc Lines	20,088	
271	3550	CIAC-Sewer Force Main/Srvc Lines	84,592	
271	3555	CIAC-Sewer Gravity Main/Manholes	26,831	
271	3625	CIAC-Outfall Lines		2,425
271	3500	CIAC-Struct/Imprv Pump Plt LS	17,313	
271	3520	CIAC-Struct/Imprv Reclaim Plt	901	
271	3555	CIAC-Sewer Gravity Main/Manholes		2,476
272	4070	Acc Amort Struct/Imprv Gen Plt Bldg		39
272	4150	Acc Amort Treat/Disp Equip Lagoon		99
272	4155	Acc Amort Treat/Disp Equip Trt Plt	59,261	
272	4100	Acc Amort Swr Force Main/Srvc Lines		1,280
272	4100	Acc Amort Swr Force Main/Srvc Lines		2,434
272	4105	Acc Amort Gravity Main/Manholes	2,283	
272	4175	Acc Amort Outfall Lines	81	
272	4030	Acc Amort Tap		3,341
272	4050	Acc Amort Struct/Imprv Pump Plt LS	818	
272	4065	Acc Amort Struct/Imprv Rclm Dist	25	
272	4105	Acc Amort Gravity Main/Manholes		2,918
215	4998	Retained Earnings		52,358
272	4030	Acc Amort Sewer/Tap		1,974,764
272	4050	Acc Amort Struct/Imprv Pump Plt LS	86,589	
272	4065	Acc Amort Struct/Imprv Rclm Dist	5,651	
272	4070	Acc Amort Struct/Imprv Gen Plt Bldg	20,259	
272	4100	Acc Amort Swr Force Main/Srvc Lines	52,467	
272	4100	Acc Amort Swr Force Main/Srvc Lines	40,638	
272	4105	Acc Amort Gravity Main/Manholes	533,116	
272	4105	Acc Amort Gravity Main/Manholes	6,928	
272	4150	Acc Amort Treat/Disp Equip Lagoon	2,398	
272	4155	Acc Amort Treat/Disp Equip Trt Plt	1,195,024	
272	4175	Acc Amort Outfall Lines	6,241	
272	4030	Acc Amort Sewer/Tap	25,454	
Total			2,187,339	2,187,339

EFFECT ON FILING: The total balance for CIAC reflected in the utility's filing will not change. However, the accumulated amortization of CIAC needs to be increased by \$52,359.

Recalculation of CIAC and Amortization of CIAC by Utility

271

407

Legacy Acct. Nos		EAGLE RIDGE	Plant Balance	Plant Balance Percentage	CIAC Allocation	CIAC 2003 Additions	CIAC Balance	CIAC Amtz. Rate	CIAC Amtz. Jan-Jun '03	CIAC Amtz. Jul-Dec '03	CIAC Amtz Total
UPIS	CIAC	Acct. Description	@12/31/02		@12/31/02		@12/31/03				
3542011	2721011	Lift Station	129,890	3.65%	96,713	-	96,713	3.13%	1,511	1,511	3,022
3547003	2721003	Structures & Imp.	12,524	0.35%	9,325	-	9,325	3.13%	146	146	291
3547012	2721012	Spray Irrigation Facilities	14,827	0.42%	11,040	-	11,040	3.13%	173	173	345
3602006	2721006	Sewage Service Lines	151,389	4.25%	112,721	-	112,721	3.33%	1,879	1,879	3,757
3602007	2721007	Force Mains	193,964	5.45%	144,421	-	144,421	3.33%	2,407	2,407	4,814
3612008	2721008	Sewer Mains	1,120,370	31.45%	834,202	-	834,202	2.22%	9,269	9,269	18,538
3612010	2721098	Manholes	1,036	0.03%	771	-	771	2.22%	9	9	17
3804004	2721004	Sewer Lagoons	6,291	0.18%	4,684	-	4,684	2.86%	67	67	134
3804005	2721005	Treatment Plant	1,931,530	54.23%	1,438,172	-	1,438,172	2.86%	20,545	20,545	41,091
3824009	2721009	Outfall Lines	-	0.00%	-	-	-	3.33%	-	-	-
Total			3,561,821	100.00%	2,652,049	-	2,652,049		36,005	36,005	72,009
Tap Fees Per Utility					202,052	8,292	210,344	2.70%	2,728	2,840	5,567
271 CIAC Balance per Utility @12/31/02					2,854,101	8,292	2,862,393		38,732	38,844	77,577

407 Amtz. Of CIAC Expense @12/31/03	77,065
Less Tap Fees Amtz of CIAC	5,567
Less known Amtz. Of CIAC Sub-Acct. Balance	-
Unidentified Amtz. Of CIAC balance	71,498
Less Recalculated Amtz. Of CIAC balance above	72,009
Retained Earnings Adjustment	(512)

Recalculation of CIAC and Amortization of CIAC by Utility

Legacy Acct. Nos		Cross Creek	Plant	Plant	CIAC	CIAC	271	CIAC	CIAC	CIAC	407
UPIS	CIAC	Acct. Description	Balance @12/31/02	Balance Percentage	Allocation @12/31/02	Additions Jan-Jun '03	Balance @12/31/03	Amtz. Rate	Amtz. Jan-Jun '03	Amtz. Jul-Dec '03	CIAC Amtz Total
3542011	2721011	Lift Station	141,804	8.07%	75,968	-	75,968	3.13%	1,187	1,187	2,374
3547003	2721003	Structures & Imp.	49,561	2.82%	26,551	-	26,551	3.13%	415	415	830
3547012	2721012	Spray Irrigation Facilities	-	0.00%	-	-	-	3.13%	-	-	-
3602006	2721006	Sewage Service Lines	2,818	0.16%	1,510	-	1,510	3.33%	25	25	50
3602007	2721007	Force Mains	24,433	1.39%	13,089	-	13,089	3.33%	218	218	436
3612008	2721008	Sewer Mains	278,515	15.85%	149,207	-	149,207	2.22%	1,658	1,658	3,316
3612010	2721098	Manholes	17,144	0.98%	9,184	-	9,184	2.22%	102	102	204
3804004	2721004	Sewer Lagoons	-	0.00%	-	-	-	2.86%	-	-	-
3804005	2721005	Treatment Plant	1,226,469	69.80%	657,049	-	657,049	2.86%	9,386	9,386	18,773
3824009	2721009	Outfall Lines	16,375	0.93%	8,772	-	8,772	3.33%	146	146	292
Total			1,757,119	100.00%	941,331	-	941,331		13,138	13,138	26,275

272 CIAC Balance per T/B Per Co @12/31/02 941,331

407 Amtz. Of CIAC Expense @12/31/03 26,972
 Less Tap Fees Amtz of CIAC -
 Less known Amtz. Of CIAC Sub-Acct. Balance -
 Unidentified Amtz. Of CIAC balance 26,972
 Less Recalculated Amtz. Of CIAC balance above 26,275
 Retained Earnings Adjustment 697

Recalculation of CIAC and Amortization of CIAC by Staff

EAGLE RIDGE AND CROSS CREEK			Plant	Plant	CIAC	CIAC	CIAC	CIAC	CIAC
Acct. Nos			Balance	Balance	Allocation	2003	Balance	Amtz.	CIAC
Plant	CIAC	Acct. Description	@12/31/02	Percentage	@12/31/02	Additions	@12/31/03	Rate	Amzt Annual
1295	3500	Struct/Imprv Pump PLT LS	227,208	4.44%	155,368	-	155,368	4.00%	6,215
1310	3520	Struct/Imprv Reclaim Wtr Dist Plt	14,827	0.29%	10,139	-	10,139	3.13%	317
1315	3520	Struct/Imprv Gen Plt Bldg	53,159	1.04%	36,351	-	36,351	3.13%	1,136
1345	3550	Sewer Force Main/Service Lines	137,673	2.69%	94,143	-	94,143	2.63%	2,477
1345	3550	Sewer Force Main/Service Lines	106,634	2.08%	72,918	-	72,918	3.33%	2,431
1350	3555	Sewer Gravity Main/Manholes	1,398,885	27.35%	956,578	-	956,578	2.22%	21,257
1350	3555	Sewer Gravity Main/Manholes	18,180	0.36%	12,432	-	12,432	3.33%	414
1395	3600	Treat/Disp Equip Lagoon	6,291	0.12%	4,302	-	4,302	5.56%	239
1400	3605	Treat/Disp Equip Trt Plt	3,135,715	61.30%	2,144,248	-	2,144,248	5.56%	119,125
1420	3705	Outfall Lines	16,375	0.32%	11,197	-	11,197	3.33%	373
Total			5,114,947	100.00%	3,497,676	-	3,497,676		153,984
Tap Fees Per T/B @ 12/31/02					45,672	9,676	55,348	4.41%	2,227
271 CIAC Balance per T/B @12/31/02					3,543,348	9,676	3,553,024		156,212
407 Amtz. Of CIAC Expense per G/L@12/31/03				103,852					
Less Tap Fees Amtz of CIAC				2,227					
Less known Amtz. Of CIAC Sub-Acct. Balance				-					
Unidentified Amtz. Of CIAC balance				101,625					
Less Recalculated Amtz. Of CIAC balance above				153,984					
Retained Earnings Adjustment				(52,360)					

Adjustment to CIAC to comply to Rule 25-30.140

		271				272				
EAGLE RIDGE AND CROSS CREEK CIAC		Staff Allocation	Per Utility Eagle Allocation	Per Utility Cross Allocation	CIAC Adj. Needed	Rule Rate	Staff Amtz. Total	Per Utility Eagle Amtz. Total	Per Utility Cross Amtz. Total	Amtz Adj. Needed
Acc No.	Acct. Description	@12/31/03	@12/31/03	@12/31/03						
3500	Struct/Imprv Pump PLT LS	(155,368)	(96,713)	(75,968)	17,313	4.00%	6,215	3,022	2,374	818
3520	Struct/Imprv Reclaim Wtr Dist Plt	(10,139)	(11,040)	-	901	3.13%	317	291	-	25
3520	Struct/Imprv Gen Plt Bldg	(36,351)	(9,325)	(26,551)	(475)	3.13%	1,136	345	830	(39)
3550	Sewer Force Main/Service Lines	(94,143)	(112,721)	(1,510)	20,088	2.63%	2,477	3,757	-	(1,280)
3550	Sewer Force Main/Service Lines	(72,918)	(144,421)	(13,089)	84,592	3.33%	2,431	4,814	50	(2,434)
3555	Sewer Gravity Main/Manholes	(956,578)	(834,202)	(149,207)	26,831	2.22%	21,257	18,538	436	2,283
3555	Sewer Gravity Main/Manholes	(12,432)	(771)	(9,184)	(2,476)	3.33%	414	17	3,316	(2,918)
3600	Treat/Disp Equip Lagoon	(4,302)	(4,684)	-	382	5.56%	239	134	204	(99)
3605	Treat/Disp Equip Trt Plt	(2,144,248)	(1,438,172)	(657,049)	(49,026)	5.56%	119,125	41,091	18,773	59,261
3625	Outfall Lines	(11,197)	-	(8,772)	(2,425)	3.33%	373	-	292	81
3705	Tap Fees Amtz of CIAC						2,227	5,568	-	(3,341)
Total		(3,497,676)	(2,652,049)	(941,331)	95,704		156,212	77,578	26,275	52,359
3520 CIAC undistributed					(95,704)					
Eagle Ridge CIAC		(2,652,049)								
Cross Creek CIAC		(941,331)								
CIAC Total		(3,593,380)								

**Recalculation Amortization Undistributed by Staff
EAGLE RIDGE AND CROSS CREEK**

Acct. Nos		CIAC	CIAC	Acc Amtz	
CIAC	Acc Amtz	Description	Balance @12/31/03	Balance Percentage	Allocation @12/31/02
3500	4050	Struct/Imprv Pump PLT LS	\$ 155,368	4.38%	\$ 86,589
3520	4065	Struct/Imprv Reclaim Wtr Dist Plt	\$ 10,139	0.29%	\$ 5,651
3520	4070	Struct/Imprv Gen Plt Bldg	\$ 36,351	1.03%	\$ 20,259
3550	4100	Sewer Force Main/Service Lines	\$ 94,143	2.66%	\$ 52,467
3559	4100	Sewer Force Main/Service Lines	\$ 72,918	2.06%	\$ 40,638
3555	4105	Sewer Gravity Main/Manholes	\$ 956,578	27.00%	\$ 533,116
3555	4105	Sewer Gravity Main/Manholes	\$ 12,432	0.35%	\$ 6,928
3600	4150	Treat/Disp Equip Lagoon	\$ 4,302	0.12%	\$ 2,398
3605	4155	Treat/Disp Equip Trt Plt	\$ 2,144,248	60.51%	\$ 1,195,024
3625	4175	Outfall Lines	\$ 11,197	0.32%	\$ 6,241
3705	4265	Tap Fees	\$ 45,672	1.29%	\$ 25,454
Total			\$ 3,543,348	100%	\$ 1,974,764

AUDIT FINDING NO. 4

SUBJECT: ADJUSTMENT TO ACCUMULATED AMORTIZATION

AUDIT ANALYSIS: The utility’s reclassification of accumulated amortization sub-accounts and the use of non-rule rates have resulted in amortization being understated \$48,566 for the three year period ending December 31, 2006. Accumulated amortization corrections for 2003 and 2007 are accounted for in Audit Finding No. 3 and 7, respectively.

The utility reclassified accumulated amortization sub-accounts balances in 2007. The aggregated total of ending balance and beginning balance reconcile, however, the utility cannot provide any reasoning or mapping behind the change.

Per the utility: “The Company does not have any support documentation for the discrepancies. During the time of conversion, a decision was made to reclassify the balance in A/A of CIAC.”

NARUC Acc#	Utility New Acc#	Utility Old Acc#	Description	2006 End Bal Debit (Credit)	2007 Begin Bal Debit (Credit)	Difference Debit (Credit)
272	4030	2723000	Acc Amort Sewer Undistributed	1,992,060	-	1,992,060
272	4070	2723003	Acc Amort Struct/Imprv Gen Plt Bldg	161,887	1,372,621	(1,210,734)
272	4150	2723004	Acc Amort Treat/Disp Equip Lagoon	536	2,582	(2,046)
272	4155	2723005	Acc Amort Treat/Disp Equip Trt Plt	109,830	384,838	(275,007)
272	4100	2723006	Acc Amort Swr Force Main/Srvc Lines	14,820	164,780	(149,961)
272	4100	2723007	Acc Amort Swr Force Main/Srvc Lines	20,993	-	20,993
272	4105	2723008	Acc Amort Gravity Main/Manholes	87,348	633,914	(546,566)
272	4175	2723009	Acc Amort Outfall Lines	1,169	11,173	(10,005)
272	4030	2723010	Acc Amort Tap	5,714	31,400	(25,687)
272	4050	2723011	Acc Amort Struct/Imprv Pump Plt LS	23,226	152,108	(128,882)
272	4065	2723012	Acc Amort Struct/Imprv Rclm Dist	1,080	345	735
272	4105	2723098	Acc Amort Gravity Main/Manholes	1,216	-	1,216
272	3480	2723001	Acc Amort Organization	-	(333,882)	333,882
Total				2,419,878.69	2,419,878.69	-

Our review of the accounts above reveals that the utility has over-allocated the Accumulated Amortization Organization account resulting in a credit balance of \$(333,882.48) for the sub account. We are suggesting that this redistribution be reversed.

Furthermore, Rule 25-30.140, F.A.C., states that CIAC should be amortized using the same rule rate as the plant account of the same class is depreciated. Our analysis of expense recorded shows that neither the rates nor the methodology adhere to the rules. The composite rate used in 2003 includes general plant in its calculation, when it should be excluded.

For the period of 2004 to 2006, immaterial differences can be attributed to the fact that staff calculates depreciation for Eagle Ridge wastewater treatment plant and Cross Creek wastewater treatment plant separately. Material differences can be attributed to the utility not adhering to rule rates. Also, the schedules show that some CIAC balances used for calculation did not agree

with the beginning, ending or average trial balance account balance. We suggest using the methodology in Finding No. 3.

The schedules that follow, shows staff's calculation in summary. The staff calculations are then detailed. The CIAC balances used are based on Audit Finding No. 3 calculations and do not compound issues presented.

EFFECT ON GENERAL LEDGER:

Effect on the General Ledger

NARUC Acc #	Utility New Acc#	Description	Debit	Credit
272	4030	Acc Amort Sewer Undistributed	1,992,060	
272	4070	Acc Amort Struct/Imprv Gen Plt Bldg		1,210,734
272	4150	Acc Amort Treat/Disp Equip Lagoon		2,046
272	4155	Acc Amort Treat/Disp Equip Trt Plt		275,007
272	4100	Acc Amort Swr Force Main/Srvc Lines		149,961
272	4100	Acc Amort Swr Force Main/Srvc Lines	20,993	
272	4105	Acc Amort Gravity Main/Manholes		546,566
272	4175	Acc Amort Outfall Lines		10,005
272	4030	Acc Amort Tap		25,687
272	4050	Acc Amort Struct/Imprv Pump Plt LS		128,882
272	4065	Acc Amort Struct/Imprv Relm Dist	735	
272	4105	Acc Amort Gravity Main/Manholes	1,216	
272	3480	Acc Amort Organization	333,882	
272	4030	Acc Amort Undist		11,728
272	4070	Acc Amort Struct/Imprv Gen Plt Bldg	50,920	
272	4150	Acc Amort Treat/Disp Equip Lagoon	315	
272	4155	Acc Amort Treat/Disp Equip Trt Plt	19,854	
272	4100	Acc Amort Swr Force Main/Srvc Lines		3,580
272	4100	Acc Amort Swr Force Main/Srvc Lines		8,451
272	4105	Acc Amort Gravity Main/Manholes		1,723
272	4175	Acc Amort Outfall Lines	244	
272	4265	Acc Amort Tap	1,437	
272	4050	Acc Amort Struct/Imprv Pump Plt LS	815	
272	4065	Acc Amort Struct/Imprv Rclm Dist	215	
272	4105	Acc Amort Gravity Main/Manholes	248	
215	4889	Retained Earnings		48,566
Total			2,422,936	2,422,936

EFFECT ON FILING: The reallocation does not affect the filing, however Accumulated Amortization - CIAC reflected in the utility's filing will need to be increased by \$48,566 to adjust depreciation to rule rates for 2004 - 2006.

Staff Net Additions for the Period of 2004-2006

NARUC Acc#	Utility New Acc#	Description	2004 Add Per Staff	2005 Add Per Staff	2006 Add Per Staff	Total Net Add Per Staff
272	4030	Acc Amort Undist	-	-	-	-
272	4070	Acc Amort Struct/Imprv Gen Plt Bldg	1,136	158,452	52,099	211,687
272	4150	Acc Amort Treat/Disp Equip Lagoon	239	239	239	717
272	4155	Acc Amort Treat/Disp Equip Trt Plt	119,125	(77,829)	28,524	69,821
272	4100	Acc Amort Swr Force Main/Srvc Lines	2,477	2,477	2,477	7,432
272	4100	Acc Amort Swr Force Main/Srvc Lines	2,431	2,431	2,431	7,292
272	4105	Acc Amort Gravity Main/Manholes	21,257	21,257	21,257	63,772
272	4175	Acc Amort Outfall Lines	373	373	373	1,120
272	4265	Acc Amort Tap	2,908	2,025	2,218	7,151
272	4050	Acc Amort Struct/Imprv Pump Plt LS	6,215	6,215	6,215	18,644
272	4065	Acc Amort Struct/Imprv Rclm Dist	317	317	317	951
272	4105	Acc Amort Gravity Main/Manholes	414	414	414	1,243
Total			156,892	116,372	116,564	389,828

Net Addition Comparison for 2004-2006

Total Net Add Per Staff	Total Net Add Per Utility	Adjustments Needed
-	11,728	(11,728)
211,687	160,766	50,920
717	402	315
69,821	49,967	19,854
7,432	11,012	(3,580)
7,292	15,743	(8,451)
63,772	65,495	(1,723)
1,120	876	244
7,151	5,714	1,437
18,644	17,829	815
951	735	215
1,243	995	248
389,828	341,262	48,566

Utility Net Addition for the Three Year Period of 2004 - 2006

NARUC Acc#	Utility New Acc#	Description	2004 Net Add Per Utility	2005 Net Add Per Utility	2006 Net Add Per Utility	Total Net Add Per Utility
272	4030	Acc Amort Organization	3,909	3,909	3,909	11,728
272	4070	Acc Amort Struct/Imprv Gen Plt Bldg	1,123	107,476	52,167	160,766
272	4150	Acc Amort Treat/Disp Equip Lagoon	134	134	134	402
272	4155	Acc Amort Treat/Disp Equip Trt Plt	59,923	(29,508)	19,552	49,967
272	4100	Acc Amort Swr Force Main/Srvc Lines	3,404	3,804	3,804	11,012
272	4100	Acc Amort Swr Force Main/Srvc Lines	5,253	5,245	5,245	15,743
272	4105	Acc Amort Gravity Main/Manholes	21,832	21,832	21,832	65,495
272	4175	Acc Amort Outfall Lines	292	292	292	876
272	4030	Acc Amort Organization	1,855	1,901	1,958	5,714
272	4050	Acc Amort Struct/Imprv Pump Plt LS	6,329	5,750	5,750	17,829
272	4065	Acc Amort Struct/Imprv Rclm Dist	245	245	245	735
272	4105	Acc Amort Gravity Main/Manholes	332	332	332	995
Total			104,630	121,412	115,220	341,262

2004 Amortization Expense by Staff

NARUC Acc#	Utility New Acc#	Utility Old Acc#	Description	Rule Rate	CIAC Balance @ 12/31/2003	2004 Additions	CIAC Balance @ 12/31/2004	Amortization Expense Per Staff	Accumulated Amortization Expense Per Staff
272	7205	2721000	AMORT EXP-CIA-SEWER	4.43%	-	-	-	-	-
272	7245	2721003	AMORT-STRUCT/IMPRV GEN PLT BLDG	3.13%	(36,351)	-	(36,351)	(1,136)	1,136
272	7325	2721004	AMORT-TREAT/DISP EQUIP LAGOON	5.56%	(4,302)	-	(4,302)	(239)	239
272	7330	2721005	AMORT-PLANT SEWERS TRTMT PLT	5.56%	(2,144,248)	-	(2,144,248)	(119,125)	119,125
272	7275	2721006	AMORT-SEWER FORCE MAIN/SRVC	2.63%	(94,143)	-	(94,143)	(2,477)	2,477
272	7275	2721007	AMORT-SEWER FORCE MAIN/SRVC	3.33%	(72,918)	-	(72,918)	(2,431)	2,431
272	7280	2721008	AMORT-SEWER GRAVITY MAIN/MANH	2.22%	(956,578)	-	(956,578)	(21,257)	21,257
272	7350	2721009	AMORT-OUTFALL LINES	3.33%	(11,197)	-	(11,197)	(373)	373
272	7430	2721010	AMORT-SEWER-TAP	4.43%	(65,023)	(1,384)	(66,407)	(2,908)	2,908
272	7225	2721011	AMORT-STRUCT/IMPRV PUMP PLT LS	4.00%	(155,368)	-	(155,368)	(6,215)	6,215
272	7240	2721012	AMORT-STRUCT/IMPRV RCLM DIST	3.13%	(10,139)	-	(10,139)	(317)	317
272	7280	2721098	AMORT-SEWER GRAVITY MAIN/MANH	3.33%	(12,432)	-	(12,432)	(414)	414
Total					(3,562,699)	(1,384)	(3,564,083)	(156,892)	156,892

2005 Amortization Expense by Staff

NARUC Acc#	Utility New Acc#	Utility Old Acc#	Description	Rule Rate	CIAC Balance @ 12/31/2004	Reclassified CIAC Balance @ 12/31/2005	2005 Additions	CIAC Balance @ 12/31/2005	Amortization Expense Per Staff	Accumulated Amortization Expense Per Staff	2005 Building Reclass	2005 Net Add
272	7205	2721000	AMORT EXP-CIA-SEWER	3.00%	-	-	-	-	-	-	-	-
272	7245	2721003	AMORT-STRUCT/IMPRV GEN PLT BLDG	3.13%	(36,351)	(1,667,158)	-	(1,667,158)	(52,099)	52,099	106,353	158,452
272	7325	2721004	AMORT-TREAT/DISP EQUIP LAGOON	5.56%	(4,302)	(4,302)	-	(4,302)	(239)	239	-	239
272	7330	2721005	AMORT-PLANT SEWERS TRTMT PLT	5.56%	(2,144,248)	(513,441)	-	(513,441)	(28,524)	28,524	(106,353)	(77,829)
272	7275	2721006	AMORT-SEWER FORCE MAIN/SRVC	2.63%	(94,143)	(94,143)	-	(94,143)	(2,477)	2,477	-	2,477
272	7275	2721007	AMORT-SEWER FORCE MAIN/SRVC	3.33%	(72,918)	(72,918)	-	(72,918)	(2,431)	2,431	-	2,431
272	7280	2721008	AMORT-SEWER GRAVITY MAIN/MANH	2.22%	(956,578)	(956,578)	-	(956,578)	(21,257)	21,257	-	21,257
272	7350	2721009	AMORT-OUTFALL LINES	3.33%	(11,197)	(11,197)	-	(11,197)	(373)	373	-	373
272	7430	2721010	AMORT-SEWER-TAP	3.00%	(66,407)	(66,407)	(2,076)	(68,483)	(2,025)	2,025	-	2,025
272	7225	2721011	AMORT-STRUCT/IMPRV PUMP PLT LS	4.00%	(155,368)	(155,368)	-	(155,368)	(6,215)	6,215	-	6,215
272	7240	2721012	AMORT-STRUCT/IMPRV RCLM DIST	3.13%	(10,139)	(10,139)	-	(10,139)	(317)	317	-	317
272	7280	2721098	AMORT-SEWER GRAVITY MAIN/MANH	3.33%	(12,432)	(12,432)	-	(12,432)	(414)	414	-	414
Total					(3,564,083)	(3,564,083)	(2,076)	(3,566,159)	(116,372)	116,372	-	116,372

2006 Amortization Expense by Staff

NARUC Acc#	Utility New Acc#	Utility Old Acc#	Description	Rule Rate	CIAC Balance @ 12/31/2005	2006 Additions	CIAC Balance @ 12/31/2006	Amortization Expense Per Staff	Accumulated Amortization Expense Per Staff
272	7205	2721000	AMORT EXP-CIA-SEWER	3.24%	-	-	-	-	-
272	7245	2721003	AMORT-STRUCT/IMPRV GEN PLT BLDG	3.13%	(1,667,158)	-	(1,667,158)	(52,099)	52,099
272	7325	2721004	AMORT-TREAT/DISP EQUIP LAGOON	5.56%	(4,302)	-	(4,302)	(239)	239
272	7330	2721005	AMORT-PLANT SEWERS TRTMT PLT	5.56%	(513,441)	-	(513,441)	(28,524)	28,524
272	7275	2721006	AMORT-SEWER FORCE MAIN/SRVC	2.63%	(94,143)	-	(94,143)	(2,477)	2,477
272	7275	2721007	AMORT-SEWER FORCE MAIN/SRVC	3.33%	(72,918)	-	(72,918)	(2,431)	2,431
272	7280	2721008	AMORT-SEWER GRAVITY MAIN/MANH	2.22%	(956,578)	-	(956,578)	(21,257)	21,257
272	7350	2721009	AMORT-OUTFALL LINES	3.33%	(11,197)	-	(11,197)	(373)	373
272	7430	2721010	AMORT-SEWER-TAP	3.24%	(68,483)	-	(68,483)	(2,218)	2,218
272	7225	2721011	AMORT-STRUCT/IMPRV PUMP PLT LS	4.00%	(155,368)	-	(155,368)	(6,215)	6,215
272	7240	2721012	AMORT-STRUCT/IMPRV RCLM DIST	3.13%	(10,139)	-	(10,139)	(317)	317
272	7280	2721098	AMORT-SEWER GRAVITY MAIN/MANH	3.33%	(12,432)	-	(12,432)	(414)	414
Total					(3,566,159)	-	(3,566,159)	(116,564)	116,564

AUDIT FINDING NO. 5

SUBJECT: MISCLASSIFIED EASEMENT

AUDIT ANALYSIS: NARUC, Class B, Accounting Instruction 19 states that land and land rights, Account No. 353, shall include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights of way, and other like interest in the land.

In 2006, a land easement was needed for one of the lift stations. Most of the lift stations were near the road, but this one lift station was off the road on private property. The utility compensated owners for the land easement.

The utility recorded \$11,415 for land easements in the lift station account instead of the land and land rights account. Also, the easement should not have been depreciated and will require a corresponding reduction of \$685 and \$457 to accumulated depreciation and depreciation expense.

Year	NARUC Acc#	Utility New Acc#	Utility Old Acc#	Description	Net Activity	Rate	Annual Depreciation	Years In Service	Accumulated Depreciation
2006	354	1295	3547011	Easement	11,415	4.00%	457	1.5	685
Total					11,415		457		685

EFFECT ON GENERAL LEDGER: The following entries are needed to correct the utility's ledger.

NARUC Acc	Utility Acc	Description	Debit	Credit
353	1285	Land & Land Rights General Plt	11,415	
354	1295	Struct/Imprv Pump PLT LS		11,415
354	2055	Accum Depre-Struct/Imprv Pump PLT LS	685	
354	6660	Depre-Struct/Imprv Pump PLT LS		457
215	4998	Retained Earnings		228
Total			12,100.	12,100

EFFECT ON FILING: This adjustment does not affect the overall total of plant in service, just reclassifies the land entry. NARUC account 353 should be increased \$11,415 and account 354 should be decreased by the same amount. Depreciation expense and accumulated depreciation should be decreased by \$457.

The average effect on accumulated depreciation is as follow:

Description	Beginning Balance	Ending Balance	Average Balance
Accumulated Depreciation	228	685	457

AUDIT FINDING NO. 6

SUBJECT: CONSTRUCTION PROJECTS RETIREMENTS NOT RECORDED

AUDIT ANALYSIS: NARUC, Class B, Accounting Instruction 27. B (2) states when a retirement unit is retired from utility plant, with or without replacement, the book cost thereof shall be credited to the utility plant account in which it is included, determined in the manner set forth in paragraph D. NARUC, Class B, Accounting Instruction 27. D. states that book cost shall be determined from the utility records and if that cannot be done it shall be estimated.

The utility's records reflect the following construction projects for the engineering and installation of a new AquaDisc filter, which replaced the former sand filter at Eagle Ridge. Per NARUC, Class B, Accounting Instruction 27, this entry warrants a retirement entry.

<u>Year</u>	<u>Project</u>	<u>Per Ledger Additions</u>	<u>Old Acc#</u>	<u>W/O Close Amt</u>	<u>Description</u>
2005	673-116-04-03	35,691.89	3804005	35,691.89	Engineering design for AquaDisc filter
2006	673-116-05-02	458,315.35	3804005	458,315.35	Installation of AquaDisc filter

The utility has acknowledged that no retirement entries were recorded for any CWIP project replacements. A retirement entry to plant should be credited and accumulated depreciation should be debited. However, the amount is unknown.

The cost and functionality of the replacement and retirement filters are drastically different.

The audit staff is deferring this issue to staff engineer in Tallahassee to determine the appropriate retirement amounts for the capital projects. Plant should be reduced for the plants retired but not recorded.

EFFECT ON GENERAL LEDGER: Depending on the conclusion reached by engineer.

EFFECT ON FILING: Depending on the conclusion reached by engineer.

AUDIT FINDING NO. 7

SUBJECT: CORRECTION TO NET DEPRECIATION EXPENSE

AUDIT ANALYSIS: Rule 25-30.140, F.A.C. states the guideline rates to be used for depreciation expense.

The utility provided a schedule from the fixed asset system that includes depreciation expense. However, information the utility provided from the new general ledger system does not include similar supporting documentation regarding depreciation and amortization rates used as well as the accounts corresponding to the depreciable assets. Staff has recalculated depreciation by multiplying the prior year's ending balance plus half of net additions by the rule rates.

Immaterial differences between utility and staff calculations are believed to be attributed to the utility calculating depreciation expense on a monthly balance, while material differences are attributed to the utility not adhering to rule rates.

Comparing the utility's calculation to the staff calculation reveals that depreciation expense and amortization expense are understated by \$11,091 and \$18,278 respectively, overstating net depreciation by \$7,187 (\$11,091-\$18,278). Accumulated depreciation and accumulated amortization are also understated by the same amounts as of December 31, 2007.

EFFECT ON GENERAL LEDGER: The entries on the next page are needed to correct the utility's ledger.

Effect on General Ledger

NARUC Acc#	Utility New Acc#	Description	Debit	Credit
403	6640	DEPREC-ORGANIZATION	1,467	
403	6660	DEPREC-STRUCT/IMPRV PUMP		177
403	6675	DEPREC-STRUCT/IMPRV RCLM DIST	134	
403	6680	DEPREC-STRUCT/IMPRV GEN PLT BLDG		500
403	6710	DEPREC-SEWER FORCE MAIN/SRVC		1,547
403	6710	DEPREC-SEWER FORCE MAIN/SRVC		3,737
403	6715	DEPREC-SEWER GRAVITY MAIN/MANH		411
403	6715	DEPREC-SEWER GRAVITY MAIN/MANH	611	
403	6760	DEPREC-TREAT/DISP EQUIP LAGOON		612
403	6765	DEPREC-TREAT/DISP EQ TRT PLT	17,593	
403	6820	DEPREC-OFFICE STRUCTURE	6	
403	6825	DEPREC-OFFICE FURN/EQPT		3
403	6835	DEPREC-TOOL SHOP & MISC EQPT		2,069
403	6840	DEPREC-LABORATORY EQPT	48	
403	6860	DEPREC-OTHER TANG PLT SEWER	287	
403	6890	DEPREC-REUSE TRANSM / DIST SYS		1
108	2030	ACCUM DEPREC-ORGANIZATION		1,467
108	2055	ACCUM DEPREC-STRUCT/IMPRV PUMP	177	
108	2070	ACCUM DEPREC-STRUCT/IMPRV RCLM DIST		134
108	2075	ACCUM DEPREC-STRUCT/IMPRV GEN PLT BLDG	500	
108	2105	ACCUM DEPREC-SEWER FORCE MAIN/SRVC	1,547	
108	2105	ACCUM DEPREC-SEWER FORCE MAIN/SRVC	3,737	
108	2110	ACCUM DEPREC-SEWER GRAVITY MAIN/MANH	411	
108	2110	ACCUM DEPREC-SEWER GRAVITY MAIN/MANH		611
108	2155	ACCUM DEPREC-TREAT/DISP EQUIP LAGOON	612	
108	2160	ACCUM DEPREC-TREAT/DISP EQ TRT PLT		17,593
108	2215	ACCUM DEPREC-OFFICE STRUCTURE		6
108	2220	ACCUM DEPREC-OFFICE FURN/EQPT	3	
108	2230	ACCUM DEPREC-TOOL SHOP & MISC EQPT	2,069	
108	2235	ACCUM DEPREC-LABORATORY EQPT		48
108	2255	ACCUM DEPREC-OTHER TANG PLT SEWER		287
108	2285	ACCUM DEPREC-REUSE TRANSM / DIST SYS	1	
407	7245	AMORT-STRUCT/IMPRV GEN PLT BLDG		6,246
407	7325	AMORT-TREAT/DISP EQUIP LAGOON		106
407	7330	AMORT-PLANT SEWERS TRTMT PLT		15,255
407	7275	AMORT-SEWER FORCE MAIN/SRVC	1,330	
407	7275	AMORT-SEWER FORCE MAIN/SRVC	2,819	
407	7280	AMORT-SEWER GRAVITY MAIN/MANH	556	
407	7350	AMORT-OUTFALL LINES		80
407	7430	AMORT-SEWER-TAP		327
407	7225	AMORT-STRUCT/IMPRV PUMP PLT LS		459
407	7240	AMORT-STRUCT/IMPRV RCLM DIST		317
407	7280	AMORT-SEWER GRAVITY MAIN/MANH		193
272	4070	ACCUM AMORT-STRUCT/IMPRV GEN PLT BLDG	6,246	
272	4150	ACCUM AMORT-TREAT/DISP EQUIP LAGOON	106	
272	4155	ACCUM AMORT-PLANT SEWERS TRTMT PLT	15,255	
272	4100	ACCUM AMORT-SEWER FORCE MAIN/SRVC		1,330
272	4100	ACCUM AMORT-SEWER FORCE MAIN/SRVC		2,819
272	4105	ACCUM AMORT-SEWER GRAVITY MAIN/MANH		556
272	4175	ACCUM AMORT-OUTFALL LINES	80	
272	4265	ACCUM AMORT-SEWER-TAP	327	
272	4050	ACCUM AMORT-STRUCT/IMPRV PUMP PLT LS	459	
272	4065	ACCUM AMORT-STRUCT/IMPRV RCLM DIST	317	
272	4105	ACCUM AMORT-SEWER GRAVITY MAIN/MANH	193	
Total			56,891	56,891

EFFECT ON FILING: Net depreciation expense should be decreased by \$7,187 (\$11,091-\$18,278). Accumulated depreciation and accumulated amortization should be decreased by \$11,091 and \$18,278 respectively.

The average effect on accumulated depreciation is as follow:

	Beginning Balance	Ending Balance	Average Balance
Accumulated Depreciation	-	(11,091)	(5,546)
Accumulated Amortization	-	18,278	9,139

2007 Depreciation Expense

NARUC Acc#	Utility New Acc#	Description	Rule Rate	Plant @ 12/31/2006 Per T/B	2007 Plant Addition	2007 Plant Retirement	Depreciation Plant @ 12/31/2007	Depreciation Expense Per Staff	Depreciation Expense Per MFR	Difference	
403	6640	DEPREC-ORGANIZATION	2.50%	84,107	-	-	84,107	2,103	636	1,467	
403	6645	DEPREC-FRANCHISES INTANG PLT	2.50%	243,953	-	-	243,953	6,099	6,099	(0)	
403	6660	DEPREC-STRUCT/IMPRV PUMP	4.00%	245,765	23,161	(9,361)	259,565	10,107	10,284	(177)	
403	6675	DEPREC-STRUCT/IMPRV RCLM DIST	3.13%	14,827	-	-	14,827	463	329	134	
403	6680	DEPREC-STRUCT/IMPRV GEN PLT BLDG	3.13%	2,702,200	-	-	2,702,200	84,444	84,944	(500)	
403	6710	DEPREC-SEWER FORCE MAIN/SRVC	2.63%	144,767	3,288	(1,178)	146,878	3,837	5,384	(1,547)	
403	6710	DEPREC-SEWER FORCE MAIN/SRVC	3.33%	106,634	-	-	106,634	3,554	7,291	(3,737)	
403	6715	DEPREC-SEWER GRAVITY MAIN/MANH	2.22%	1,406,942	-	-	1,406,942	31,265	31,676	(411)	
403	6715	DEPREC-SEWER GRAVITY MAIN/MANH	3.33%	18,209	250	-	18,459	611	-	611	
403	6760	DEPREC-TREAT/DISP EQUIP LAGOON	5.56%	(11,020)	-	-	(11,020)	(612)	-	(612)	
403	6765	DEPREC-TREAT/DISP EQ TRT PLT	5.56%	983,419	54,473	(11,880)	1,026,011	55,817	38,224	17,593	
403	6785	DEPREC-OUTFALL LINES	3.33%	16,375	-	-	16,375	546	546	(0)	
403	6820	DEPREC-OFFICE STRUCTURE	2.50%	3,329	3,084	(1,542)	4,872	103	96	6	
403	6825	DEPREC-OFFICE FURN/EQPT	6.67%	1,509	85	-	1,594	103	106	(3)	
403	6835	DEPREC-TOOL SHOP & MISC EQPT	6.25%	22,264	1,680	-	23,945	1,444	3,513	(2,069)	
403	6840	DEPREC-LABORATORY EQPT	6.67%	11,366	-	-	11,366	758	710	48	
403	6860	DEPREC-OTHER TANG PLT SEWER	10.00%	3,524	-	-	3,524	352	65	287	
403	6890	DEPREC-REUSE TRANSM / DIST SYS	2.33%	26,401	-	-	26,401	614	615	(1)	
Direct Total					6,024,572	86,022	(23,961)	6,086,633	201,609	190,518	11,091

2007 Amortization Expense

NARUC Acc#	Utility New Acc#	Description	Rule Rate	CIAC Balance @ 12/31/2006	2007 Additions	CIAC Balance @ 12/31/2007	Amortization Expense Per Staff	Amortization Expense Per Utility	Difference	
407	7205	AMORT EXP-CIA-SEWER	3.35%	-	-	-	-	-	-	
407	7245	AMORT-STRUCT/IMPRV GEN PLT BLDG	3.13%	(1,667,158)	-	(1,667,158)	(52,099)	(45,853)	(6,246)	
407	7325	AMORT-TREAT/DISP EQUIP LAGOON	5.56%	(4,302)	-	(4,302)	(239)	(133)	(106)	
407	7330	AMORT-PLANT SEWERS TRTMT PLT	5.56%	(513,441)	-	(513,441)	(28,524)	(13,269)	(15,255)	
407	7275	AMORT-SEWER FORCE MAIN/SRVC	2.63%	(94,143)	-	(94,143)	(2,477)	(3,807)	1,330	
407	7275	AMORT-SEWER FORCE MAIN/SRVC	3.33%	(72,918)	-	(72,918)	(2,431)	(5,250)	2,819	
407	7280	AMORT-SEWER GRAVITY MAIN/MANH	2.22%	(956,578)	-	(956,578)	(21,257)	(21,813)	556	
407	7350	AMORT-OUTFALL LINES	3.33%	(11,197)	-	(11,197)	(373)	(293)	(80)	
407	7430	AMORT-SEWER-TAP	3.35%	(68,483)	(692)	(69,175)	(2,309)	(1,982)	(327)	
407	7225	AMORT-STRUCT/IMPRV PUMP PLT LS	4.00%	(155,368)	-	(155,368)	(6,215)	(5,756)	(459)	
407	7240	AMORT-STRUCT/IMPRV RCLM DIST	3.13%	(10,139)	-	(10,139)	(317)	-	(317)	
407	7280	AMORT-SEWER GRAVITY MAIN/MANH	3.33%	(12,432)	-	(12,432)	(414)	(221)	(193)	
Total					(3,566,159)	(692)	(3,566,851)	(116,655)	(98,377)	(18,278)

AUDIT FINDING NO. 8

SUBJECT: CORRECTIONS TO ACCUMULATED DEPRECIATION

AUDIT ANALYSIS: Rule 25-30.140, F.A.C. states the guideline rates to be used for depreciation expense.

Immaterial differences between staff's calculation and the utility's amounts can be attributed to the fact that staff calculates depreciation for Eagle Ridge wastewater treatment plant and Cross Creek wastewater treatment plant separately. Material differences can be attributed to the utility not adhering to rule rates. Also, the utility's schedules show that some plant balances used for the calculation did not agree with the beginning, ending or average trial balance account balance.

Accumulated depreciation and depreciation expense corrections for 2007 are accounted for in Audit Finding No.7

A review of the accumulated depreciation accounts revealed that the following entry in the Accumulated Depreciation-Other Tangible Plant-Water is misclassified. Staff traced the credit side of the entry to plant account Treatment and Disposal Equipment Treatment Plant. The entry should be moved to the accumulated depreciation account for NARUC account 380 to properly classify the entry.

<u>Year</u>	<u>Old Acc#</u>	<u>Description</u>	<u>Mo</u>	<u>Jnl Code</u>	<u>Amount</u>
2006	1083045	R29752*19035*LEHIGH	OCT	AP.I	\$3,348.00

The following schedule details this summary of differences between the staff calculation and the utility calculations.

Listed below are the rates used by the utility that do not adhere to the rates stated in the rule above.

<u>Description</u>	<u>DEPR RATE</u> <u>01/03 - 06/04</u>	<u>DEPR RATE</u> <u>07/04 - 12/04</u>	<u>DEPR RATE</u> <u>01/05 -12/05</u>	<u>DEPR RATE</u> <u>01/06 -12/06</u>	<u>RULE</u> <u>RATE</u>
Treat/Disp Equip Lagoon	2.86	2.86	2.86	2.86	5.56
Treat/Disp Equip Trt Plt	2.86	2.86	2.86	2.86	5.56
Sewer Force Main/Service Lines	2.63	3.33	3.33	3.33	2.63
Struct/Imprv Pump PLT LS	4.00	3.33	3.33	3.33	4.00
Struct/Imprv Reclaim Wtr Dist Plt	2.22	2.22	2.22	2.22	3.13
Franchises Intang Plt	2.50	3.33	2.50	2.50	2.50
Tool Shop & Misc Eqpt	2.00	2.00	6.25	6.25	6.25
Laboratory Equip	6.67	6.67	6.67	6.25	6.67

EFFECT ON GENERAL LEDGER: The entries on the next page are needed to correct the utility's ledger as of December 31, 2006.

Effect on General Ledger:

NARUC Acc#	Utility New Acc#	Description	Debit	Credit
108	2160	Acc Depre-Treat/Dis Eqp Trt Plt		3,348
108	2010	Acc Depre-Other Tang Plt Water	3,348	
108	2030	Acc Depre-Organization		1,741
108	2055	Acc Depre-Struct/Imprv Pump Plt Ls	3,099	
108	2070	Acc Depre-Struct/Imprv Rclm Dst		537
108	2075	Acc Depre-Struct/Imprv Gen Plt		81,458
108	2105	Acc Depre-Sewer Force Main/Srvc Lines	4,460	
108	2105	Acc Depre-Sewer Force Main/Srvc Lines	14,905	
108	2110	Acc Depre-Sewer Grvty Main/Man		29
108	2110	Acc Depre-Sewer Gravity Main/Manholes		3
108	2155	Acc Depre-Treat/Dis Eqp Lagoon	1,264	
108	2160	Acc Depre-Treat/Dis Eqp Trt Plt		62,910
108	2180	Acc Depre-Outfall Lines		2
108	2220	Acc Depre-Office Furn/Eqpt		5
108	2230	Acc Depre-Tool Shop & Misc Eqpt	3,781	
108	2235	Acc Depre-Laboratory Eqpt		284
108	2285	Acc Depre-Reuse Trans/Dist Sys		315
108	2255	Acc Depre-Other Tang Plt Sewer		176
215	4998	Retained Earnings	119,952	
		Total	150,809	150,809

EFFECT ON FILING: Accumulated depreciation should be increased by \$119,952 to adjust for the incorrect depreciation rates through December 31, 2006.

Recalculation of 2003 and 2004 Accumulated Depreciation

NARUC Acc#	Utility New Acc#	Description	Rates	2003 Plant - A/D @12/31/2002 Per Utility	2003 Plant - A/D Expense Per Staff	2003 Plant Retirement Per Staff	Plant - A/D @ 12/31/2003 Per Staff	2004 Plant - A/D Expense Per Staff	2004 Plant Retirement Per Staff	Plant - A/D @ 12/31/2004 Per Staff
351	2030	Acc Depre-Organization	2.50%	(12,466)	(2,465)	-	(14,931)	(2,465)	-	(17,396)
352	2040	Acc Depre Franchise Intang Plt	2.50%	(31,010)	(6,099)	-	(37,109)	(6,099)	-	(43,208)
354	2055	Acc Depre-Struct/Imprv Pump Plt Ls	4.00%	(85,399)	(9,133)	974	(93,558)	(9,289)	6,509	(96,339)
354	2070	Acc Depre-Struct/Imprv Rclm Dst	3.13%	(329)	(463)	-	(793)	(463)	-	(1,256)
354	2075	Acc Depre-Struct/Imprv Gen Plt	3.13%	(11,327)	(1,661)	-	(12,988)	(1,661)	-	(14,649)
363	2105	Acc Depre-Sewer Force Main/Srvc Lines	2.63%	(37,633)	(3,711)	7,743	(33,601)	(3,801)	-	(37,402)
360	2105	Acc Depre-Sewer Force Main/Srvc Lines	3.33%	(88,721)	(3,554)	-	(92,276)	(3,554)	-	(95,830)
361	2110	Acc Depre-Sewer Grvty Main/Man	2.22%	(402,689)	(31,126)	-	(433,815)	(31,202)	-	(465,017)
361	2110	Acc Depre-Sewer Gravity Main/Manholes	3.33%	(2,841)	(606)	-	(3,447)	(606)	-	(4,053)
380	2155	Acc Depre-Treat/Dis Eqp Lagoon	5.56%	(360)	(350)	-	(709)	(350)	-	(1,059)
380	2160	Acc Depre-Treat/Dis Eqp Trt Plt	5.56%	(1,476,709)	(175,823)	4,066	(1,648,466)	(181,215)	7,309	(1,822,372)
382	2180	Acc Depre-Outfall Lines	3.33%	(3,924)	(546)	-	(4,470)	(546)	-	(5,016)
390	2215	Acc Depre-Office Structure	2.50%	691	(76)	488	1,103	(78)	-	1,024
390	2220	Acc Depre-Office Furn/Eqpt	6.67%	(70)	(27)	-	(97)	(38)	-	(135)
393	2230	Acc Depre-Tool Shop & Misc Eqpt	6.25%	(8,056)	(1,162)	-	(9,218)	(1,180)	-	(10,398)
394	2235	Acc Depre-Laboratory Eqpt	6.67%	1,830	(533)	-	1,296	(622)	-	674
375	2285	Acc Depre-Reuse Trans/Dist Sys	2.33%	-	(9)	-	(9)	(9)	-	(18)
398	2255	Acc Depre-Other Tang Plt Sewer	10.00%	-	-	-	-	-	-	-
Total				(2,159,014)	(237,345)	13,271	(2,383,087)	(243,179)	13,818	(2,612,448)

NARUC Acc#	Utility New Acc#	Description	Rates	2005	2005	2002 Audit Adj Per Utility	Bldg Reclass Per Utility	2005	
				Plant - A/D @ 12/31/2004 Per Staff	Plant - A/D Expense Per Staff			Plant Retirement Per Staff	Plant - A/D @ 12/31/2005 Per Staff
351	2030	Acc Depre-Organization	2.50%	(17,396)	(2,103)	-	1,629	-	(17,869)
352	2040	Acc Depre Franchise Intang Plt	2.50%	(43,208)	(6,099)	-	-	-	(49,307)
354	2055	Acc Depre-Struct/Imprv Pump Plt Ls	4.00%	(96,339)	(9,058)	7,507	10,693	-	(87,197)
354	2070	Acc Depre-Struct/Imprv Rclm Dst	3.13%	(1,256)	(463)	-	-	-	(1,719)
354	2075	Acc Depre-Struct/Imprv Gen Plt	3.13%	(14,649)	(84,379)	-	-	(1,545,728)	(1,644,757)
363	2105	Acc Depre-Sewer Force Main/Srvc Lines	2.63%	(37,402)	(3,806)	-	-	-	(41,208)
360	2105	Acc Depre-Sewer Force Main/Srvc Lines	3.33%	(95,830)	(3,554)	-	-	-	(99,385)
361	2110	Acc Depre-Sewer Grvty Main/Man	2.22%	(465,017)	(31,183)	-	3,374	-	(492,826)
361	2110	Acc Depre-Sewer Gravity Main/Manholes	3.33%	(4,053)	(606)	-	-	-	(4,660)
380	2155	Acc Depre-Treat/Dis Eqp Lagoon	5.56%	(1,059)	620	196	15,884	-	15,641
380	2160	Acc Depre-Treat/Dis Eqp Trt Plt	5.56%	(1,822,372)	(23,498)	12,646	376,058	1,545,728	88,563
382	2180	Acc Depre-Outfall Lines	3.33%	(5,016)	(546)	-	-	-	(5,561)
390	2215	Acc Depre-Office Structure	2.50%	1,024	(78)	-	-	-	946
390	2220	Acc Depre-Office Furn/Eqpt	6.67%	(135)	(49)	-	-	-	(184)
393	2230	Acc Depre-Tool Shop & Misc Eqpt	6.25%	(10,398)	(1,224)	-	-	-	(11,622)
394	2235	Acc Depre-Laboratory Eqpt	6.67%	674	(723)	-	-	-	(49)
375	2285	Acc Depre-Reuse Trans/Dist Sys	2.33%	(18)	(307)	-	-	-	(325)
398	2255	Acc Depre-Other Tang Plt Sewer	10.00%	-	-	-	-	-	-
Total				(2,612,448)	(167,057)	20,349	407,638	-	(2,351,518)

Recalculation of 2005 Accumulated Depreciation

NARUC Acc#	Utility New Acc#	Description	Rates	Plant - A/D @ 12/31/2005 Per Staff	2006 Plant - A/D Expense Per Staff	2006 Plant Retirement Per Staff	Plant - A/D @ 12/31/2006 Per Staff	Plant - A/D @ 12/31/2006 Per Utility	Adjustments Needed
351	2030	Acc Depre-Organization	2.50%	(17,869)	(2,103)	-	(19,972)	(18,231)	(1,741)
352	2040	Acc Depre Franchise Intang Plt	2.50%	(49,307)	(6,099)	-	(55,405)	(55,405)	(0)
354	2055	Acc Depre-Struct/Imprv Pump Plt Ls	4.00%	(87,197)	(9,463)	421	(96,239)	(99,338)	3,099
354	2070	Acc Depre-Struct/Imprv Rclm Dst	3.13%	(1,719)	(463)	-	(2,183)	(1,646)	(537)
354	2075	Acc Depre-Struct/Imprv Gen Plt	3.13%	(1,644,757)	(84,412)	-	(1,729,168)	(1,647,710)	(81,458)
363	2105	Acc Depre-Sewer Force Main/Srvc Lines	2.63%	(41,208)	(3,810)	-	(45,017)	(49,477)	4,460
360	2105	Acc Depre-Sewer Force Main/Srvc Lines	3.33%	(99,385)	(3,554)	-	(102,939)	(117,844)	14,905
361	2110	Acc Depre-Sewer Grvty Main/Man	2.22%	(492,826)	(31,226)	-	(524,052)	(524,023)	(29)
361	2110	Acc Depre-Sewer Gravity Main/Manholes	3.33%	(4,660)	(607)	-	(5,267)	(5,263)	(3)
380	2155	Acc Depre-Treat/Dis Eqp Lagoon	5.56%	15,641	612	-	16,254	14,989	1,264
380	2160	Acc Depre-Treat/Dis Eqp Trt Plt	5.56%	88,563	(40,274)	10,626	58,914	121,824	(62,910)
382	2180	Acc Depre-Outfall Lines	3.33%	(5,561)	(546)	-	(6,107)	(6,105)	(2)
390	2215	Acc Depre-Office Structure	2.50%	946	(81)	-	865	865	0
390	2220	Acc Depre-Office Furn/Eqpt	6.67%	(184)	(75)	-	(259)	(253)	(5)
393	2230	Acc Depre-Tool Shop & Misc Eqpt	6.25%	(11,622)	(1,324)	-	(12,946)	(16,728)	3,781
394	2235	Acc Depre-Laboratory Eqpt	6.67%	(49)	(748)	-	(798)	(513)	(284)
375	2285	Acc Depre-Reuse Trans/Dist Sys	2.33%	(325)	(614)	-	(939)	(624)	(315)
398	2255	Acc Depre-Other Tang Plt Sewer	10.00%	-	(176)	-	(176)	-	(176)
Total				(2,351,518)	(184,963)	11,047	(2,525,434)	(2,405,482)	(119,952)

2003 Accumulated Depreciation Expense

NARUC Acc#	Utility New Acc#	Description	Rate	Plant @ 12/31/2002	2003 Plant Addition	2003 Plant Retirement	2003 Plant - A/D Exp
351	1245	Organization	2.50%	98,590	-	-	2,465
352	1250	Franchises Intang Plt	2.50%	243,953	-	-	6,099
354	1295	Struct/Imprv Pump PLT LS	4.00%	227,208	3,202	(974)	9,133
354	1310	Struct/Imprv Reclaim Wtr Dist Plt	3.13%	14,827	-	-	463
354	1315	Struct/Imprv Gen Plt Bldg	3.13%	53,159	-	-	1,661
363	1345	Sewer Force Main/Service Lines	2.63%	137,673	14,437	(7,743)	3,711
360	1345	Sewer Force Main/Service Lines	3.33%	106,634	-	-	3,554
361	1350	Sewer Gravity Main/Manholes	2.22%	1,398,885	3,595	-	31,126
361	1350	Sewer Gravity Main/Manholes	3.33%	18,180	-	-	606
380	1395	Treat/Disp Equip Lagoon	5.56%	6,291	-	-	350
380	1400	Treat/Disp Equip Trt Plt	5.56%	3,135,715	62,566	(4,368)	175,823
382	1420	Outfall Lines	3.33%	16,375	-	-	546
390	1455	Office Struct & Imprv	2.50%	2,972	650	(488)	76
390	1460	Office Furn & Equip	6.67%	412	-	-	27
393	1470	Tool Shop & Misc Eqpt	6.25%	18,482	208	-	1,162
394	1475	Laboratory Equip	6.67%	7,937	124	-	533
375	1540	Reuse Transmission & Dist Sys	2.33%	-	756	-	9
398	1495	Undistributed Sewer Plant	10.00%	-	-	-	-
Total				5,487,293	85,537	(13,573)	237,345

2004 Accumulated Depreciation Expense

NARUC	Utility			2004	2004	2004	
Acc#	New	Description	Rate	Plant @	Plant	Plant - A/D	
Acc#	Acc#	Description	Rate	12/31/2003	Addition	Retirement	Exp
351	1245	Organization	2.50%	98,590	-	-	2,465
352	1250	Franchises Intang Plt	2.50%	243,953	-	-	6,099
354	1295	Struct/Imprv Pump PLT LS	4.00%	229,436	12,108	(6,509)	9,289
354	1310	Struct/Imprv Reclaim Wtr Dist Plt	3.13%	14,827	-	-	463
354	1315	Struct/Imprv Gen Plt Bldg	3.13%	53,159	-	-	1,661
363	1345	Sewer Force Main/Service Lines	2.63%	144,366	114	-	3,801
360	1345	Sewer Force Main/Service Lines	3.33%	106,634	-	-	3,554
361	1350	Sewer Gravity Main/Manholes	2.22%	1,402,480	3,233	-	31,202
361	1350	Sewer Gravity Main/Manholes	3.33%	18,180	-	-	606
380	1395	Treat/Disp Equip Lagoon	5.56%	6,291	-	-	350
380	1400	Treat/Disp Equip Trt Plt	5.56%	3,193,913	143,213	(7,309)	181,215
382	1420	Outfall Lines	3.33%	16,375	-	-	546
390	1455	Office Struct & Imprv	2.50%	3,134	-	-	78
390	1460	Office Furn & Equip	6.67%	412	317	-	38
393	1470	Tool Shop & Misc Eqpt	6.25%	18,690	395	-	1,180
394	1475	Laboratory Equip	6.67%	8,061	2,547	-	622
375	1540	Reuse Transmission & Dist Sys	2.33%	756	(756)	-	9
398	1495	Undistributed Sewer Plant	10.00%	-	-	-	-
Total				5,559,257	161,170	(13,818)	243,179

2005 Accumulated Depreciation Expense

NARUC Acc#	Utility New Acc#	Description	Rate	Plant @ 12/31/2004	Reclassified Plant Asset	2002 Audit Adj Booked	2005 Plant Addition	2005 Plant Retirement	2005 Plant - A/D Exp
351	1245	Organization	2.50%	98,590	-	(14,483)	-	-	2,103
352	1250	Franchises Intang Plt	2.50%	243,953	-	-	-	-	6,099
354	1295	Struct/Imprv Pump PLT LS	4.00%	235,034	-	(9,505)	9,364	(7,507)	9,058
354	1310	Struct/Imprv Reclaim Wtr Dist Plt	3.13%	14,827	-	-	-	-	463
354	1315	Struct/Imprv Gen Plt Bldg	3.13%	53,159	2,646,981	-	-	-	84,379
363	1345	Sewer Force Main/Service Lines	2.63%	144,480	-	-	287	-	3,806
360	1345	Sewer Force Main/Service Lines	3.33%	106,634	-	-	-	-	3,554
361	1350	Sewer Gravity Main/Manholes	2.22%	1,405,713	-	(2,713)	438	-	31,183
361	1350	Sewer Gravity Main/Manholes	3.33%	18,180	-	-	29	-	606
380	1395	Treat/Disp Equip Lagoon	5.56%	6,291	-	(17,597)	483	(196)	(620)
380	1400	Treat/Disp Equip Trt Plt	5.56%	3,329,816	(2,646,981)	(303,383)	99,652	(12,646)	23,498
382	1420	Outfall Lines	3.33%	16,375	-	-	-	-	546
390	1455	Office Struct & Imprv	2.50%	3,134	-	-	-	-	78
390	1460	Office Furn & Equip	6.67%	729	-	-	-	-	49
393	1470	Tool Shop & Misc Eqpt	6.25%	19,085	-	-	1,011	-	1,224
394	1475	Laboratory Equip	6.67%	10,608	-	-	480	-	723
375	1540	Reuse Transmission & Dist Sys	2.33%	-	-	-	26,401	-	307
398	1495	Undistributed Sewer Plant	10.00%	-	-	-	-	-	-
Total				5,706,609	-	(347,681)	138,145	(20,349)	167,057

2006 Accumulated Depreciation Expense

NARUC Acc#	Utility New Acc#	Description	Rate	Plant @ 12/31/2005	2006 Plant Addition	2006 Plant Retirement	2006 Plant - A/D Exp
351	1245	Organization	2.50%	84,107	-	-	2,103
352	1250	Franchises Intang Plt	2.50%	243,953	-	-	6,099
354	1295	Struct/Imprv Pump PLT LS	4.00%	227,387	18,799	(421)	9,463
354	1310	Struct/Imprv Reclaim Wtr Dist Plt	3.13%	14,827	-	-	463
354	1315	Struct/Imprv Gen Plt Bldg	3.13%	2,700,140	2,060	-	84,412
363	1345	Sewer Force Main/Service Lines	2.63%	144,767	-	-	3,810
360	1345	Sewer Force Main/Service Lines	3.33%	106,634	-	-	3,554
361	1350	Sewer Gravity Main/Manholes	2.22%	1,403,437	3,505	-	31,226
361	1350	Sewer Gravity Main/Manholes	3.33%	18,209	-	-	607
380	1395	Treat/Disp Equip Lagoon	5.56%	(11,020)	-	-	(612)
380	1400	Treat/Disp Equip Trt Plt	5.56%	466,458	527,586	(10,626)	40,274
382	1420	Outfall Lines	3.33%	16,375	-	-	546
390	1455	Office Struct & Imprv	2.50%	3,134	195	-	81
390	1460	Office Furn & Equip	6.67%	729	780	-	75
393	1470	Tool Shop & Misc Eqpt	6.25%	20,096	2,169	-	1,324
394	1475	Laboratory Equip	6.67%	11,088	278	-	748
375	1540	Reuse Transmission & Dist Sys	2.33%	26,401	-	-	614
398	1495	Undistributed Sewer Plant	10.00%	-	3,524	-	176
Total				5,476,723	558,896	(11,047)	184,963

EXHIBITS

Schedule of Wastewater Rate Base

Florida Public Service Commission

Company: Utilities, Inc. of Eagle Ridge
 Docket No.: 080247-SU
 Schedule Year Ended: December 31, 2007
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: A-2
 Page 1 of 1
 Preparer: Hoy, John

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use. If method other than formula approach (1/8 O&M) is used to determine working capital, provide additional schedule showing detail calculation.

Line No.	(1) Description	(2) Balance Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service	\$ 6,267,052	\$ 136,193 A	\$ 6,403,245	A-6, A-3
2	Utility Land & Land Rights	39,579		39,579	A-6
3	Less: Non-Used & Useful Plant	-	(303,511) B	(303,511)	A-7, A-3
4	Construction Work in Progress	97,371	(97,371) C	-	A-18, A-3
5	Less: Accumulated Depreciation	(2,626,722)	25,894 D	(2,600,828)	A-10, A-3
6	Less: CIAC	(3,556,830)		(3,556,830)	A-12
7	Accumulated Amortization of CIAC	2,469,069		2,469,069	A-14
8	Acquisition Adjustments	310,957	(310,957) E	-	A-18, A-3
9	Accum. Amort. of Acq. Adjustments	(44,192)	44,192 E		A-18, A-3
10	Advances For Construction				A-16
11	Working Capital Allowance	-	81,530 F	81,530	A-17, A-3
12	Total Rate Base	\$ 2,956,284	\$ (424,030)	\$ 2,532,254	

Schedule of Requested Cost of Capital (Final Rates)
Beginning and End of Year Average

Florida Public Service Commission

Company: Utilities, Inc. of Eagle Ridge
Docket No.: 080247-SU
Test Year Ended: December 31, 2007
Schedule Year Ended: December 31, 2007
Historic [X] or Projected []

Schedule: D-1
Page 1 of 1
Preparer: Hoy, John

Explanation: Provide a schedule which calculates the requested Cost of Capital on a beginning and end of year average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.		(1) Reconciled to Requested Rate Base	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	1,281,112	50.59 %	6.65 %	3.36 %
2	Short-Term Debt	55,184	2.18 %	2.44 %	0.05 %
3	Preferred Stock				
4	Customer Deposits	42,656	1.68 %	6.00 %	0.10 %
5	Common Equity	991,325	39.15 %	11.70 %	4.58 %
6	Tax Credits - Zero Cost				
7	Accumulated Deferred Income Tax	161,998	6.40 %		
8	Other (Explain)				
9	Total	<u>2,532,254</u>	<u>100.00 %</u>		<u>8.09 %</u>

Note: Cost of Equity based on Order Nos. PSC-07-0472-PAA-WS: 7.10% + 1.961/Equity Ratio,
where Equity ratio = Equity/(Equity + Preferred + Long & Short Term Debt) = 42.59 %

Note: Long term debt, short term debt, preferred stock and common equity are actual for Eagle Ridge's parent company, Utilities, Inc.

Schedule of Wastewater Net Operating Income

Florida Public Service Commission

Company: Utilities, Inc. of Eagle Ridge
 Docket No.: 080247-SU
 Test Year Ended: December 31, 2007
 Interim [] Final [X]
 Historic [X] or Projected []

Schedule: B-2
 Page 1 of 1
 Preparer: Hoy, John

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedule(s)
1	OPERATING REVENUES	\$ 787,117	\$ (10,100) A	\$ 777,017	\$ 332,525 F	\$ 1,109,542	B-4, E-2
2	Operation & Maintenance	678,384	(26,144) B	652,240	12,503 G	664,743	B-6, B-3
3	Depreciation, net of CIAC Amort.	95,366	21,675 C	117,041		117,041	B-14, B-3
4	Amortization				0	-	B-3
5	Taxes Other Than Income	65,599	(1,455) D	64,144	15,195 H	79,339	B-15, B-3
6	Provision for Income Taxes	(53,924)	53,924 E	-	43,561 I	43,561	C-1, B-3
7	OPERATING EXPENSES	785,425	47,999	833,424	71,259	904,683	
8	NET OPERATING INCOME	\$ 1,692	\$ (58,099)	\$ (56,408)	\$ 261,267	\$ 204,859	
9	RATE BASE	\$ 2,956,284		\$ 2,532,254		\$ 2,532,254	
10	RATE OF RETURN	0.06 %		- %		8.09 %	