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DIVISION OF

WATER AND SEWER



2002 Florida Public

Service Commission

Annual Report

**Executive, Financial
&
Water Section**

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
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DEPARTMENT OF
ECONOMIC REGULATION

WS226-02-AR

FLORIDA WATER SERVICES CORPORATION

(WS226-Duval)

(WS228-Orange)

(WS231-Martin)

(WS548-Volusia)

(WS554-Pasco)

(WS565-Lee/Charlotte)

(WS618-Highlands)

(WS734-Charlotte)

(WU693-Bradford)

(WS765-Polk)

(SU733-Osceola)

(WS225-Putnam)

(WS227-Lake)

(WS230-Seminole)

(WS487-Marion)

(WS574-Nassau)

(WU229-Osceola)

(WS673-Washington)

(WU561-Brevard)

(WU721-St. Johns/Duval)

(WU473-Clay)

CLASS "A" OR "B"

WATER AND/OR WASTEWATER UTILITIES
(Gross Revenue of More Than \$200,000 Each)

ANNUAL REPORT

OF

WS226-02-AR
Florida Water Services Corporation
P. O. Box 609520
Orlando, FL 32860-9520

Submitted To The

STATE OF FLORIDA



PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2002

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CERTIFICATION OF ANNUAL REPORT

UTILITY NAME: Florida Water Services, Corp.

YEAR OF REPORT
DECEMBER 31, 2002

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

YES NO

(X) () 1. The utility is in substantial compliance with the Uniform System of Accounts prescribed by the Florida Public Service Commission.

YES NO

(X) () 2. The utility is in substantial compliance with all applicable rules and orders of the Florida Public Service Commission

YES NO

(X) () 3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in financial reporting practices that could have a material effect on the financial statement of the utility.

YES NO

(X) () 4. The annual report fairly represents the financial condition and results of operations of the respondent for the period presented and other information and statements presented in the report as to the business affairs of the respondent are true, correct and complete for the period for which it represents.

Items Certified

1. 2. 3. 4.
(X) (X) (X) (X)

Donna R. Crandall

_____*
(signature of chief executive officer of the utility)

1. 2. 3. 4.
(X) (X) (X) (X)

Judith J. Kimball

_____*
(signature of chief financial officer of the utility)

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

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

**Annual Report of
Florida Water Services, Corp.**

**YEAR OF REPORT
DECEMBER 31, 2002**

County: Orange

List Below the exact mailing address of the utility for which normal correspondence should be sent:

P.O. Box 609520
Orlando, Florida 32860-9520
Toll Free Telephone: 1-800-432-4501
Telephone : (407) 598-4100

Name and address of person to whom correspondence concerning this report should be sent:

Nancy Norris
P.O. Box 609520
Orlando, Florida 32860-9520
Telephone : (407) 598-4127

List below the address of where the utility's books and records are located:

SAME AS ABOVE

List below any groups auditing or reviewing the records and operations:

PRICE WATERHOUSE (ANNUAL AUDIT)
FPSC FIELD AUDITORS (RATE CASES)

Date of Original organization of the utility: 11/15/61

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

Individual
Partnership
Sub S Corporation
X 1120 Corporation

List Below every corporation or person owning or holding directly 5% or more of the voting securities of the utility:

ALLETE Water Services, Inc. 100%

ILITY NAME: Florida Water Services, Corp.

YEAR OF REPORT
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DIRECTORY OF PERSONNEL WHO CONTACT THE FLORIDA PUBLIC SERVICE COMMISSION

NAME OF COMPANY REPRESENTATIVE (a)	TITLE OR POSITION (b)	ADDRESS (c)	USUAL PURPOSE FOR CONTACT WITH FPSC (d)
Donnie R. Crandell	President & CEO	Orlando	Corporate Policy and Operational Matters
Forrest L. Ludsen	Executive Vice President Chief Operating Officer	Orlando	Corporate Policy and Operational Matters
David Denny	Vice President Engineering & Operations	Orlando	Engineering & Plant Operations
Carlyn H. Kowalsky	Vice President - Secretary Legal	Orlando	General Counsel
Judy Kimball	Vice President & CFO Finance	Orlando	Corporate Policy and Operational Matters: Accounting & Finance
Ida Roberts	Vice President Customer Service & Public Affairs	Orlando	Communications, Governmental and Customer Service
Tony Isaacs	Vice President Customer Services	Orlando	Regulatory Matters & Customer Service

(1) Also list appropriate legal counsel, accountants and others who may not be on general payroll.

(2) Provide individual telephone numbers if the person is not normally reached at the company.

(3) Name of company employed by if not on general payroll.

TELEPHONE NUMBER FOR ALL INDIVIDUALS IS (407) 598-4100 OR 1-800-432-4501

COMPANY PROFILE

Provide a brief narrative company profile which covers the following areas:

- A. Brief company history.
- B. Public services rendered.
- C. Major goals and objectives.
- D. Major operating divisions and functions.
- E. Current and projected growth patterns.
- F. Major transactions having a material effect on operations.

Florida Water Services Corporation (Florida Water), formerly Southern States Utilities, Inc. is a Florida corporation with headquarters at 1000 Color Place, Apopka, FL. Florida Water was originally incorporated in 1961. In 1968, Florida Water was purchased by Universal Telephone, Inc. (UTI) as a 100% owned subsidiary. During 1984, UTI and its subsidiary, Florida Water, were acquired by ALLETE Water Services, Inc., (formerly MP Water Resource Group, Inc. and Topeka Group, Inc.) a wholly-owned subsidiary of ALLETE (formerly Minnesota Power). In 1989, ALLETE Water Services sold UTI and Florida Water began reporting directly to ALLETE Water Services Group. Also, in 1989, ALLETE Water Services purchased both Deltona Utilities and United Florida Utilities from Deltona Corp. In 1992, these utilities also merged into Florida Water. In 1991, Lehigh Utilities was acquired and merged into Florida Water during 1993. Florida Water purchased Orange Osceola Utilities from Real Estate Corporation of Florida, Inc. in 1995. In 1999, Florida Water purchased Palm Coast Utility Corporation as well as Tomoka Waterworks, Inc. In 2000, Florida Water purchased Del Webb's Spruce Creek Communities, Inc., Steeplechase Utility Company, Inc., and Tangerine Water Company, Inc. Florida Water provides regulated utility services primarily to residential communities through its network of plants and distribution facilities. Service areas are located throughout the State of Florida, but are primarily in the central, southwest and northeast regions of the state.

In the fall of 2001, the parent company Allete, announced its intention to sell the assets of Florida Water Services. As of December 31, 2002, the company remains on the market.

The Company's Mission Statement which drives its goals and objectives is as follows:

MISSION- We are committed to delivering water and wastewater services of exceptional value to customers and to providing a superior return on our shareholders' investments.

VALUES - We treat everyone with respect, fairness and trust; operate with honesty and integrity; and provide a safe and secure work environment. Employees are recognized for service to our customers, Company and communities.

VISION - We will be the preferred supplier of water and wastewater services; expanding our business through growth and acquisition. We will achieve industry leadership in customer service, product quality, environmental stewardship, safety and technical ability.

STRATEGY- We will focus on customer wants and needs and the requirements of our regulators. Through involvement we will encourage initiative, creativity and commitment to common goals; we will provide continuous learning and growth; and will create an environment in which employees are empowered to do their best.

Key result areas have been formed to concentrate on establishing action plans which will allow the utility to accomplish its Mission Statement.

The Company's operations are divided into three regions,* managed by three senior operational managers who report directly to the Vice President of Operations and Maintenance. In addition, other Vice Presidents have responsibility for the following administrative areas: Finance, Legal, Engineering, Regulatory Affairs and Customer Service, Public Affairs, Human Resources, Safety and Environmental. Vice Presidents (with the exception of Human Resources, Safety and Regulatory Affairs and Customer Service) report to the Chief Operation Officer who reports to the Chief Executive Officer.

UTILITY NAME: Florida Water Services, Corp.

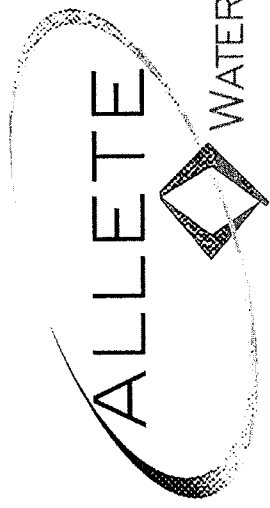
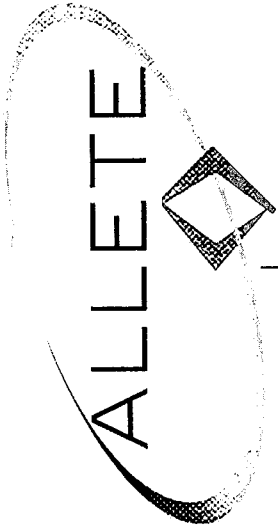
YEAR OF REPORT
DECEMBER 31, 2002

PARENT/AFFILIATE ORGANIZATION CHART

Current as of 12/31/02

Complete below an organizational chart that shows all parents, subsidiaries and affiliates of the utility.
The cart must also show the relationship between the utility and affiliates listed on E-7, E-10(a) and E-10 (b)

Please See Attached



WATER SERVICES



YEAR OF REPORT
DECEMBER 31, 2002

COMPENSATION OF OFFICERS

For each officer, list the time spent on respondent as an officer compared to time spent on total business activities and the compensation received as an officer from the respondent.

NAME (a)	TITLE (b)	% OF TIME SPENT AS OFFICER OF UTILITY (c)	OFFICERS COMPENSATION (d)
Donnie R. Crandell	President & CEO	90%	ALL
Forrest Ludsen	Executive Vice President, Chief Operating Officer	100%	COMPENSATION
Mark Schober	Vice President	5%	AVAILABLE
Carlyn H. Kowalsky	Vice President - Legal Secretary, General Council	100%	ON REQUEST.
David Denny	Vice President - Engineering & Operations	100%	CONFIDENTIALITY
Judy Kimball	Vice President, CFO	100%	IS
Craig J. Anderson	Vice President - Environmental Services	100%	REQUESTED
Ida Roberts	Vice President - Customer Service and Public Affairs	100%	
Tony Isaacs	Vice President - Customer Services	100%	
Nancy E. Norris	Controller	100%	
Kirk D. Martin	Assistant Secretary	100%	
Julie MacLane	Assistant Controller	100%	

YEAR OF REPORT
DECEMBER 31, 2002

COMPENSATION OF DIRECTORS

For each director, list the number of director meetings attended by each director and the compensation received as a director from the respondent.

NAME (a)	TITLE (b)	NUMBER OF DIRECTORS MEETINGS ATTENDED (c)	DIRECTOR'S COMPENSATION (d)
Donnie R. Crandell	Director	1	None
Philip R. Halverson	Director	1	None
Mark A. Schober	Director	1	None
James K. Vizanko	Director	1	None

YEAR OF REPORT
DECEMBER 31, 2002

BUSINESS CONTRACT WITH OFFICERS, DIRECTORS, AND AFFILIATES

List all contracts, agreements, or other business arrangements* entered into during the calendar year (other than compensation related to position with Respondents) between the Respondent and officer and director listed on page E-6. In addition, provide the same information with respect to professional services for each firm, partnership, or organization with which the officer or director is affiliated.

NAME OF OFFICER, DIRECTOR OR AFFILIATE (a)	IDENTIFICATION OF SERVICE OR PRODUCT (b)	AMOUNT (c)	NAME AND ADDRESS OF AFFILIATED ENTITY (d)
None			

* Business Agreement, for this schedule, shall mean any oral or written business deal which binds the concerned parties for products or services during the reporting year or future years. Although the Respondent and/or other companies will benefit from the arrangement, the officer or director is, however, acting on his behalf or for the benefit of other companies or persons.

**YEAR OF REPORT
DECEMBER 31, 2002**

AFFILIATION OF OFFICERS AND DIRECTORS

For each of the officials listed on page E-6, list the principle occupation or business affiliation and all affiliations or connections with any other business or financial organization, firms, or partnerships. For purposes of this part, an official will be considered to have an affiliation with any business or financial organization, firm or partnership in which he is an officer, director, trustee, partner, or a person exercising similar functions.

NAME (a)	PRINCIPLE OCCUPATION OR BUSINESS AFFILIATION (b)	AFFILIATION OR CONNECTION (c)	NAME AND ADDRESS OF AFFILIATION OR CONNECTION (d)
Donnie Crandell	Florida Water Services	Chairman of the Board, President and CEO, Director	P.O. Box 609520 Orlando, FI 32860-9520
	ALLETE Water Services, Inc.	President	P.O. Box 609520 Orlando, FI 32860-9520
	ALLETE Corp.	Executive Vice President	30 West Superior St. Duluth, MN 55802
Mark Schober	Florida Water Services	Vice President	P.O. Box 609520 Orlando, FI 32860-9520
	ALLETE Corp.	Vice President and Controller	30 West Superior St. Duluth, MN 55802
Kirk Martin	Florida Water Services	Assistant Secretary	P.O. Box 609520 Orlando, FI 32860-9520

BUSINESS TRANSACTIONS WITH RELATED PARTIES

List each contract, agreement, or other business transaction exceeding a cumulative amount of \$500 in any one year, entered into between the Respondent and a business or financial organization, firm, or partnership named on pages E-2 and E-6 identifying the parties, amounts, dates and product, asset, or service involved.

Part I. Specific Instructions: Services and Products Received or Provided

1. Enter in this part all transactions involving services and products received or provided.
2. Below are some types of transactions to include:
 - management, legal and accounting services
 - computer services
 - engineering & construction services
 - repairing and servicing of equipment
 - material and supplies furnished
 - leasing of structures, land and equipment
 - rental transactions
 - sale, purchase or transfer of various products

NAME OF COMPANY OR RELATED PARTY (c)	DESCRIPTION SERVICE AND/OR NAME NAME OF PRODUCT (b)	EFFECTIVE DATES (c)	ANNUAL CHARGES	
			PURCHASED OR SOLD (c)	AMOUNT (d)
ALLETE Water Services Group Heater	Management, Audit, Tax, Insurance Management	Continuous	Purchased Sold	\$ 1,067,566 \$ (75,000)

BUSINESS TRANSACTIONS WITH RELATED PARTIES (Cont'd)

Part II. Specific Instructions: Sale, Purchase and Transfer of Assets

1. Enter in this part all transactions relating to the purchase, sale or transfer of assets.
2. Below are examples of some types of transactions to include:
 - purchase, sale or transfer of equipment
 - purchase, sale or transfer of land and structures
 - purchase, sale or transfer of securities
 - noncash transfers of assets
 - noncash dividends other than stock dividends
 - writeoff of bad debts or loans
3. The columnar instructions follow:
 - (a) Enter name of related party or company.
 - (b) Describe briefly the type of assets purchased, sold or transferred.
 - (c) Enter the total received or paid. Indicate purchase with "P" and sale with "S".
 - (d) Enter the net book value for each item reported.
 - (e) Enter the net profit or loss for each item (column (c) - column (d)).
 - (f) Enter the fair market value for each item reported. In space below or in a supplemental schedule, describe the basis used to calculate fair market value.

NAME OF COMPANY OR RELATED PARTY (a)	DESCRIPTION OF ITEMS (b)	SALE OR PURCHASE PRICE (c)	NET BOOK VALUE (d)	GAIN OR LOSS (e)	FAIR MARKET VALUE (f)
		\$		\$	N/A

COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
UTILITY PLANT				
101-106	Utility Plant	F-7	\$ 595,747,029	\$ 639,434,837
108-110	Less: Accumulated Depreciation and Amortization	F-8	(197,612,210)	(216,368,953)
Net Plant			\$ 398,134,819	\$ 423,065,884
114-115	Utility Plant Acquisition Adjustments (Net)	F-7	5,569,435	7,845,408
116*	Other Utility Plant Adj.		0	0
Total Net Utility Plant			\$ 403,704,254	\$ 430,911,292
OTHER PROPERTY AND INVESTMENTS				
121	Nonutility Property	F-9	\$ 293,742	\$ 34,450
122	Less: Accumulated Depreciation and Amortization			
Net Nonutility Property			\$ 293,742	\$ 34,450
123	Investment In Associated Companies	F-10	0	0
124	Utility Investments	F-10	0	0
125	Other Investments	F-10	1,561,939	1,894,048
126-127	Special Funds	F-10	286,219	0
Total Other Property & Investments			\$ 1,848,158	\$ 1,894,048
CURRENT AND ACCRUED ASSETS				
131	Cash		\$ 4,140,679	\$ 5,473,361
132	Special Deposits	F-9	3,031,376	1,096,650
133	Other Special Deposits	F-9	55,614	50,976
134	Working Funds		8,000	8,000
135	Temporary Cash Investments		5,000,000	3,500,000
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts	F-11	8,475,534	6,827,891
145	Accounts Receivable from Associated Companies	F-12	0	0
146	Notes Receivable from Associated Companies	F-12	0	0
151-153	Material and Supplies		44,751	25,157
161	Stores Expense		0	0
162	Prepayments		109,066	57,238
171	Accrued Interest and Dividends Receivable		503,894	11,521
172*	Rents Receivable		0	0
173*	Accrued Utility Revenues		6,713,545	6,411,392
174	Misc. Current and Accrued Assets	F-12	0	0
Total Current and Accrued Assets			\$ 28,082,461	\$ 23,462,188

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT
DECEMBER 31, 2002

COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense	F-13	\$ 6,298,432	\$ 5,970,353
182	Extraordinary Property Losses	F-13	1,142,933	1,102,374
183	Preliminary Survey & Investigation Charges		3,148,131	2,182,630
184	Clearing Accounts		9,630	5,695
185*	Temporary Facilities		0	0
186	Misc. Deferred Debits	F-14	18,100,227	18,181,811
187*	Research & Development Expenditures		0	0
190	Accumulated Deferred Income Taxes		13,805,472	12,872,417
	Accrued Stand-by Fees		0	0
Total Deferred Debits			\$ <u>42,504,824</u>	\$ <u>40,315,279</u>
TOTAL ASSETS AND OTHER DEBITS			\$ <u><u>476,433,439</u></u>	\$ <u><u>496,617,257</u></u>

* Not Applicable for Class B Utilities

NOTES TO THE BALANCE SHEET

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
EQUITY CAPITAL				
201	Common Stock Issued	F-15	\$ 107,500	\$ 107,500
204	Preferred Stock Issued	F-15	0	0
202,205*	Capital Stock Subscribed		0	0
203,206*	Capital Stock Liability for Conversion		0	0
207*	Premium on Capital Stock		0	0
209*	Reduction in Par or Stated Value of Capital Stock		0	0
210	Gain on Resale or Cancellation of Reacquired Capital Stock		0	0
211	Other Paid-In Capital		95,091,663	89,853,517
212	Discount on Capital Stock		0	0
213	Capital Stock Expense		0	0
214-215	Retained Earnings	F-16	19,306,184	32,012,921
216	Reacquired Capital Stock		0	0
218	Proprietary Capital (Proprietorship and Partnership Only)		0	0
	Total Equity Capital		\$ 114,505,347	\$ 121,973,938
LONG TERM DEBT				
221	Bonds	F-15	\$ 63,105,000	\$ 63,105,000
222*	Reacquired Bonds		0	0
223	Advances from Associated Companies	F-17	0	0
224	Other Long Term Debt	F-17	45,160,025	42,961,785
	Total Long Term Debt		\$ 108,265,025	\$ 106,066,785
CURRENT AND ACCRUED LIABILITIES				
231	Accounts Payable		\$ 4,720,810	\$ 6,533,196
232	Notes Payable	F-18	0	0
233	Accounts Payable to Associated Co.	F-18	(4,544,150)	2,332,964
234	Notes Payable to Associated Co.	F-18	0	0
235	Customer Deposits		2,831,480	3,088,759
236	Accrued Taxes		2,904,570	2,110,689
237	Accrued Interest	F-19	2,467,985	2,349,344
238	Accrued Dividends		0	0
239	Matured Long Term Debt		12,078,764	3,966,349
240	Matured Interest		0	0
241	Miscellaneous Current and Accrued Liabilities	F-20	3,132,445	3,513,333
	Total Current and Accrued Liabilities		\$ 23,591,903	\$ 23,894,633

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
DEFERRED CREDITS				
251	Unamortized Premium on Debt	F-13	\$ 0	\$ 0
252	Advances for Construction	F-20	11,012,945	9,371,589
253	Other Deferred Credits	F-21	4,747,769	5,850,888
255	Accumulated Deferred Investment Tax Credits		1,235,532	1,169,210
Total Deferred Credits			\$ <u>16,996,246</u>	\$ <u>16,391,687</u>
OPERATING RESERVES				
261	Property Insurance Reserve		\$ 0	\$ 0
262	Injuries and Damages Reserve			
263	Pensions and Benefits Reserve		0	0
265	Miscellaneous Operating Reserves		0	0
Total Operating Reserves			\$ 0	\$ 0
CONTRIBUTIONS IN AID OF CONSTRUCTION				
271	Contributions In Aid of Construction	F-22	\$ 266,348,749	\$ 289,892,119
272	Accumulated Amortization of Contributions In Aid of Construction	F-22	(84,200,857)	(93,869,393)
Total Net C.I.A.C.			\$ <u>182,147,892</u>	\$ <u>196,022,726</u>
ACCUMULATED DEFERRED INCOME TAXES				
281	Accumulated Deferred Income Taxes - Accelerated Depreciation		\$ 0	\$ 0
282	Accumulated Deferred Income Taxes - Liberalized Depreciation		1,204,592	1,299,580
283	Accumulated Deferred Income Taxes - Other		29,722,434	30,967,903
Total Accum. Deferred Income Taxes			\$ <u>30,927,026</u>	\$ <u>32,267,483</u>
TOTAL EQUITY CAPITAL AND LIABILITIES			\$ <u>476,433,439</u>	\$ <u>496,617,253</u>

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (d)	PREVIOUS YEAR (c)	CURRENT YEAR (e)
UTILITY OPERATING INCOME				
400	Operating Revenues	F-3(b)	\$ 93,628,152	\$ 95,428,642
469,530	Less: Guaranteed Revenue and AFPI	F-3(b)	2,392,636	2,352,305
Net Operating Revenue			\$ 91,235,516	\$ 93,076,336
401	Operating Expenses	F-3(b)	\$ 44,476,434	\$ 45,227,327
403	Depreciation Expense	F-3(b)	\$ 20,401,678	\$ 21,123,579
	Less: Amortization Of CIAC	W/S - 8a	8,894,838	9,668,534
Net Depreciation Expense			\$ 11,506,840	\$ 11,455,044
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)	134,509	168,731
407	Amortization Expense (Other than CIAC)	F-3(b)	208,063	231,541
408	Taxes Other Than Income	W/S-3	9,472,597	10,114,640
409	Current Income Taxes	W/S-3	2,159,053	5,149,637
410.10	Deferred Federal Income Taxes	W/S-3	3,962,942	2,084,564
410.11	Deferred State Income Taxes	W/S-3	0	0
411.10	Provision for Deferred Income Taxes - Credit	W/S-3	0	0
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3	0	0
412.11	Investment Tax Credits Restored to Operating Income	W/S-3	99,220	(66,322)
Utility Operating Expenses			\$ 72,019,657	\$ 74,365,161
Utility Operating Income			\$ 19,215,859	\$ 18,711,175
469,530	Add Back: Guaranteed Revenue and AFPI	F-3(b)	2,392,636	2,352,305
413	Income From Utility Plant Leased to Others		0	0
414	Gains (Losses) From Disposition of Utility Property		1,936,738	778,626
420	Allowances for Funds Used During Construction		877,709	710,942
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ 24,422,942	\$ 22,553,048

COMPARATIVE OPERATING STATEMENT (CONT'D)

ACCT. NO. (a)	WATER SCHEDULE W-3* (f)	WASTEWATER SCHEDULE S-3* (g)	OTHER THAN REPORTING SYSTEMS (h)
400	\$ 27,733,272	\$ 22,282,586	\$ 45,412,784
469,530	974,754	770,168	607,383
	\$ 26,758,518	\$ 21,512,418	\$ 44,805,401
401	\$ 14,118,219	\$ 10,960,943	\$ 20,148,165
403	\$ 4,624,392	\$ 4,828,730	\$ 11,670,456
	1,771,912	1,940,493	5,956,129
	\$ 2,852,480	\$ 2,888,237	\$ 5,714,327
406	(1,190)	(10,899)	180,820
407	(692)	(20)	232,253
408	3,153,321	2,709,546	4,251,773
409	1,316,541	912,784	2,920,312
410.10	357,992	260,622	1,465,950
410.11	0	0	0
411.10	0	0	0
412.10	0	0	0
412.11			
	(15,452)	(14,439)	(36,431)
	\$ 21,781,219	\$ 17,706,773	\$ 34,877,169
	\$ 4,977,299	\$ 3,805,644	\$ 9,928,232
469,530	974,754	770,168	607,383
413	0	0	0
414	304,469	0	474,157
420	228,755	233,458	248,729
	\$ 6,485,277	\$ 4,809,271	\$ 11,258,501

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

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COMPARATIVE OPERATING STATEMENT (Cont'd)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (d)	PREVIOUS YEAR (c)	CURRENT YEAR (e)
Total Utility Operating Income [From Page F-3 (a)]			\$ <u>24,422,942</u>	\$ <u>22,553,048</u>
OTHER INCOME AND DEDUCTIONS				
415	Revenues From Merchandising, Jobbing and Contract Deductions		\$ 8,742	\$ 9,234
416	Costs and Expenses of Merchandising, Jobbing and Contract Work		19	0
419	Interest and Dividend Income		1,785,563	326,198
421	Nonutility Income		122,288	112,405
426	Miscellaneous Nonutility Expenses		(1,341,169)	(1,619,327)
Total Other Income and Deductions			\$ <u>575,442</u>	\$ <u>(1,171,491)</u>
TAXES APPLICABLE TO OTHER INCOME				
408.20	Taxes Other Than Income		\$ 0	\$ 0
409.20	Income Taxes		1,527,698	731,959
410.20	Provision for Deferred Income Taxes		567,256	95,260
411.20	Provision for Deferred Income Taxes - Credit		0	0
412.20	Investment Tax Credits - Net		0	0
412.30	Investment Tax Credits Restored to Operating Income		0	0
Total Taxes Applicable To Other Income			\$ <u>2,094,954</u>	\$ <u>827,219</u>
INTEREST EXPENSE				
427	Interest Expense	F-19	\$ 9,143,796	\$ 7,473,852
428	Amortization of Debt Discount & Expense	F-13	384,988	373,751
429	Amortization of Premium on Debt	F-13	0	0
Total Interest Expense			\$ <u>9,528,784</u>	\$ <u>7,847,603</u>
EXTRAORDINARY ITEMS				
433	Extraordinary Income		\$ 0	\$ 0
434	Extraordinary Deductions		0	0
409.30	Income Taxes, Extraordinary Items		0	0
Total Extraordinary Items			\$ <u>0</u>	\$ <u>0</u>
NET INCOME			\$ <u><u>13,374,646</u></u>	\$ <u><u>12,706,736</u></u>

SCHEDULE OF YEAR END RATE BASE

ACCT NO. (a)	ACCOUNT NAME (B)	REF PAGE (c)	WATER UTILITY	WASTEWATER UTILITY	OTHER THAN REPORTING SYSTEMS
101	Utility Plant in Service	F-7	143,902,654	133,633,708	344,796,190
	Less:				
108	Nonused and Useful Plant (1)	F-8	4,973,443	1,563,571	(15,775,428)
110	Accumulated Depreciation	F-8	40,639,089	49,611,645	126,118,219
271	Accumulated Amortization	F-22	0	0	0
252	Contributions in Aid of Construction	F-20	55,717,541	58,648,643	175,525,935
	Advances for Construction		5,220,005	1,254,512	2,897,070
Subtotal			\$37,352,576	\$22,555,337	\$56,030,394
	Add:				
272	Accumulated Amortization of Contributions in Aid of Construction	F-22	15,065,688	19,517,764	59,285,942
Subtotal			\$52,418,264	\$42,073,101	\$115,316,336
	Plus or Minus:				
114	Acquisition Adjustment	F-7	(47,602)	(435,960)	(6,295)
115	Accumulated Amortization of Acquisition Adjustment	F-7	29,536	263,559	6,175
	Working Capital Allowance		1,949,055	1,513,185	2,781,502
	Other (Specify):				
	Deferred Taxes		(3,497,172)	(3,496,896)	(5,643,180)
	Regulatory Asset		2,606,900	4,917,737	2,112,432
	Investment CIAC		461,062	347,819	0
	Cwip		5,598,458	5,171,853	7,070,999
RATE BASE			\$59,518,500	\$50,354,399	\$121,637,969
NET UTILITY OPERATING INCOME			\$4,977,299	\$3,805,644	\$10,133,584
ACHIEVED RATE OF RETURN (Operating Income/Rate Base)			8.36%	7.56%	8.33%

NOTES:

- (1) Estimated if not known
- (2) Include only those Acquisitions Adjustments that have been approved by the Commission
- (3) Calculation consistent with last rate proceeding.
In absence of a rate proceeding, Class A utilities will use the Balance Sheet Method and Class B Utilities will use the One-eighth Operating and Maintenance Expense Method

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

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REVISED

SCHEDULE OF CURRENT COST OF CAPITAL
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING

CLASS OF CAPITAL (a)	DOLLAR AMOUNT (1) (b)	PERCENTAGE OF CAPITAL (c)	ACTUAL COST RATES (2) (d)	WEIGHTED COST [c * d] (e)
Common Equity	121,973,134	51.63 %	11.88 %	6.13 %
Preferred Stock	0	0.00 %	0.00 %	0.00 %
Long Term Debt	110,033,134	46.57 %	8.25 %	3.84 %
Customer Deposits	3,088,759	1.31 %	6.00 %	0.08 %
Tax Credits - Zero Cost	0	0.00 %	0.00 %	0.00 %
Tax credits - Weighted Cost	1,169,210	0.49 %	9.29 %	0.05 %
Deferred Income Taxes	0	0.00 %	0.00 %	0.00 %
Other (Explain)	0	0.00 %	0.00 %	0.00 %
Total	\$ <u>236,264,237</u>	<u>100.00 %</u>		<u>10.10 %</u>

(1) Should equal amounts on Schedule F-6, Column (g).

(2) Mid - point of the last Authorized Return on Equity or current leverage formula if none has been established.

Must be calculated using the same methodology used in the last rate proceeding using current annual report year end amounts and cost rates

APPROVED RETURN ON EQUITY

Current Commission Return on Equity	<u>11.88 %</u>
Commission order approving Return on Equity	<u>PSC-96-1320-FOF-WS</u>

APPROVED AFUDC RATE

Current Commission Approved AFUDC rate:	<u>0.835516 %</u>
Current Commission Approved AFUDC rate:	<u>PSC-96-1320-FOF-WS</u>

If any utility capitalized any charge in lieu of AFUDC (such as interest only), state the basis of the charge, an explanation as to why AFUDC was not charged and the percentage capitalized.

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

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SCHEDULE OF CAPITAL STRUCTURE ADJUSTMENTS
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING

CLASS OF CAPITAL (a)	PER BOOK BALANCE (b)	NON-UTILITY ADJUSTMENTS (c)	NON-JURISDICTIONAL ADJUSTMENTS (d)	OTHER (1) ADJUSTMENTS SPECIFIC (e)	OTHER (1) ADJUSTMENTS PRO RATA (f)	CAPITAL STRUCTURE (g)
Common Equity	121,973,134					121,973,134
Preferred Stock	0					0
Long Term Debt	110,033,133					110,033,133
Customer Deposits	3,088,759					3,088,759
Tax Credits - Zero Cost	0					0
Tax credits - Weighted Cost	1,169,210					1,169,210
Deferred Income Taxes	0					0
Other (Explain)	0					0
Total	\$ 236,264,236	\$ 0	\$ 0	\$ 0	\$ 0	\$ 236,264,236

(1) Explain all adjustments made in Column (e) and (f):

UTILITY PLANT
ACCOUNT 101 - 106

ACCT (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
	PLANT ACCOUNTS:				
101	Utility Plant in Service	\$143,902,654	\$133,633,708	\$344,796,190	\$622,332,552
102	Utility Plant Leased to Others				0
103	Property Held for Future Use	681,476	-	762,128	1,443,604
104	Utility Plant Purchased or Sold				0
105	Construction Work in Progress	4,473,157	4,586,202	6,599,321	15,658,681
106	Completed Construction Not Classified				0
	Total Utility Plant	\$149,057,288	\$138,219,910	\$352,157,639	\$639,434,837

UTILITY PLANT ACQUISITION ADJUSTMENTS
ACCOUNT 114 AND 115

Report each acquisition adjustment and related accumulated amortization separately.
For any acquisition adjustments approved by the Commission, include the Order number.

ACCT (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
114	Acquisition Adjustment				
	Amelia Island #11231	(79,861)	(374,942)		(454,803)
	Palm Port #16340	(30,746)	(65,065)		(95,811)
	Chuluota #10859	23,325			23,325
	Druid Hill #10859	26,000			26,000
	Dol Ray Manor #10859	12,875			12,875
	Picciola Island #10859	9,400			9,400
	Venetian Village #12207	17,500	17,500		35,000
	Western Shores #12207	(26,095)			(26,095)
	Park Manor #16340		(13,453)		(13,453)
	County regulated	-	-	(6,295)	(6,295)
	Various Unapproved	6,594,484	247,483	1,617,591	8,459,558
	Total Plant Acquisition Adjustments	6,546,882	(188,477)	1,611,296	7,969,701
115	Accumulated Amortization				
	Amelia Island #11231	48,091	225,784		273,875
	Palm Port #16340	19,258	40,128		59,386
	Chuluota #10859	(16,048)			(16,048)
	Druid Hill #10859	(17,873)			(17,873)
	Dol Ray Manor #10859	(8,808)			(8,808)
	Picciola Island #10859	(6,002)			(6,002)
	Venetian Village #12207	(9,934)	(10,766)		(20,700)
	Western Shores #12207	20,852			20,852
	Park Manor #16340		8,416		8,416
	County regulated	-	-	6,175	6,175
	Various Unapproved	(803,477)	421,368	(41,456)	(423,565)
	Total Accumulated Amortization	* (773,941)	\$684,930	-\$35,281	-\$124,292
	Net Acquisition Adjustments	\$5,772,941	496,452	1,576,015	7,845,408

ACCUMULATED DEPRECIATION (ACCT. 108) AND AMORTIZATION (ACCT.110)

DESCRIPTION (a)	WATER (b)	WASTEWATER (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
ACCUMULATED DEPRECIATION Account 108				
Balance first of year	\$ 36,992,831	\$ 45,092,755	\$ 115,526,623	\$ 197,612,209
Credits during year:				
Accruals charged:				
to Account 108.1 (1)	\$ 4,624,392	\$ 4,828,730	\$ 11,670,456	\$ 21,123,579
to Account 108.2 (2)				0
to Account 108.3 (3)				0
Other Accounts (specify):				0
Salvage	0	0	0	0
Other credits (specify)	4,698,390	2,356,164	8,194,370	15,248,923
General Allocations and other				
Total Credits	\$ 9,322,782	\$ 7,184,894	\$ 19,864,825	\$ 36,372,501
Debits during year:				
Book cost of plant retired	\$ 1,089,117	\$ 366,963	\$ 1,274,358	\$ 2,730,439
Cost of removal and	4,587,406	2,299,040	7,998,872	14,885,318
Other debits (specify)				0
General Allocations and other				
Total Debits	\$ 5,676,524	\$ 2,666,004	\$ 9,273,229	\$ 17,615,757
Balance end of year	\$ <u>40,639,089</u>	\$ <u>49,611,645</u>	\$ <u>126,118,219</u>	\$ <u>216,368,953</u>
ACCUMULATED AMORTIZATION Account 110				
Balance first of year				
Credits during year:				
Accruals charged:				
to Account 110.2 (2)	\$ 0	\$ 0	\$ 0	\$ 0
Other Credits (Specify)	0	0	0	0
Total Credits	\$ 0	\$ 0	\$ 0	\$ 0
Debits during year:				
Book cost of plant retired	\$ 0	\$ 0	\$ 0	\$ 0
Other debits (specify)	0	0	0	0
Total Debits	\$ 0	\$ 0	\$ 0	\$ 0
Balance end of year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

- (1) Account 108 for Class B utilities
- (2) Not applicable for Class B utilities
- (3) Account 110 for Class B utilities

**REGULATORY COMMISSION EXPENSE
AMORTIZATION OF RATE CASE EXPENSE (ACCOUNT 666 AND 766)**

DESCRIPTION OF CASE (DOCKET NO.) (a)	EXPENSE INCURRED DURING YEAR (b)	AMOUNT TRANSFERRED TO ACCOUNT NO. 186.1 (c)	CHARGED OFF DURING YEAR	
			ACCT, (d)	AMOUNT (e)
1996 Palm Coast Rate Case	4,116		666/766	-
Hillsborough County	-		666/766	33,923
Hernando County	6,963		666/766	32,833
950495 - Consolodated Rate Case	451		666/766	-
930880 - Uniform Rates Hearing	-		666/766	83,300
920199 - Giga Rate Case	6,284		666/766	-
Total	\$17,814	\$0	\$0	\$150,056

NONUTILITY PROPERTY (ACCOUNT 121)

Report separately each item of property with a book cost of \$25,000 or more included in account 121.
Other items may be grouped by classes of property.

DESCRIPTION (a)	BEGINNING YEAR (b)	ADDITIONS (c)	REDUCTIONS (d)	ENDING YEAR BALANCE (e)
Land	\$293,742	\$30,054	\$289,346	\$34,450
Total Nonutiltiy Property	\$293,742	\$30,054	\$289,346	\$34,450

SPECIAL DEPOSITS (ACCOUNTS 132 AND 133)

Report hereunder all special deposits carried in Accounts 132 and 133

DESCRIPTION OF SPECIAL DEPOSITS (a)	YEAR END BOOK COST (b)
SPECIAL DEPOSITS (Account 132):	
Deltona Lakes Utility Service Fee	1,082,113
C/D in Leiu of Deposit	7,595
Others	6,942
Total Special Deposits	\$1,096,650
OTHER SPECIAL DEPOSITS (Account 133):	
Utility Deposits	41,410
Other Special Deposits	9,566
Total Other Special Deposits	\$50,976

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**INVESTMENTS AND SPECIAL FUNDS
ACCOUNT 123-127**

Report hereunder all investments and special funds carried in Accounts 123 thru 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (ACCT. 123):	\$	\$
Total Investment In Associated Companies		\$ <u>0</u>
UTILITY INVESTMENTS (ACCT. 124):	\$	\$
Total Utility Investments		\$ <u>0</u>
OTHER INVESTMENTS (ACCT. 125): Co Bank	\$	\$ 1,894,048
Total Other Investments		\$ <u>1,894,048</u>
SPECIAL FUNDS (ACCTS. 126 & 127):		\$ 0
Total Special Funds		\$ <u>0</u>

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ACCOUNTS AND NOTES RECEIVABLE - NET
ACCOUNTS 141-144

Report hereunder all accounts and notes receivable included in Accounts 141, 142 and 144. Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION (a)		TOTAL (b)
CUSTOMER ACCOUNT RECIVABLE (Account 141):		
Water	\$ 0	
Sewer	0	
Other (includes water, and wastewater)	4,859,121	
Total Customer Accounts Receivable		\$ 4,859,121
OTHER ACCOUNTS RECEIVABLE (Acct. 142):		
Various Receivables	\$ 44,118	
Developer Recievables	588,410	
Payroll Related	38,549	
Total Other Accounts Receivable		\$ 671,077
NOTES RECEIVABLE (Acct. 144):		
Hideaway Beach	\$ 474,124	
Harbor Branch	331,290	
Marco Reuse Line Notes	1,027,904	
Total Notes Receivable		1,833,317
Total Accounts and Notes Receivable		\$ 7,363,515
ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS (Acct. 143):		
Balance first of year	\$ (237,572)	
Add: Provision for uncollectibles for current year	\$ (630,000)	
Collections of accounts previously written off	18,804	
Utility accounts	0	
Total Additions		\$ (611,196)
Deduct accounts written off during year:		
Utility Accounts	\$ 313,143	
Others		
Total accounts written off		\$ 313,143
Balance end of year		\$ (535,624)
Total Accounts and Notes Receivable - Net		\$ <u>6,827,891</u>

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**ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES
ACCOUNT 145**

'Report each account receivable from associated companies separately.

DESCRIPTION (a)	TOTAL (b)
None	\$ 0
Total	\$ <u>0</u>

**NOTES RECEIVABLE FROM ASSOCIATED COMPANIES
ACCOUNT 146**

'Report each account receivable from associated companies separately.

DESCRIPTION (a)	INTEREST RATE (b)	TOTAL (c)
None	%	\$ 0
Total		\$ <u>0</u>

**MISCELLANEOUS CURRENT AND ACCRUED ASSETS
ACCOUNT 174**

DESCRIPTION (a)	TOTAL (b)
	-
Total miscellaneous Current and Accrued Liabilities	\$ <u>-</u>

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**UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT
ACCOUNTS 181 AND 251**

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
UNAMORTIZED DEBT DISCOUNT AND EXPENSE (Acct. 181):		
\$28 MM First Mortgage Bond	\$ 54,433	\$ 784,734
1995 \$35.01 Million DRB Series	79,458	1,850,106
1996 Collier Bonds Discount	51,833	1,194,811
Cobank \$45 Million	139,949	2,141,419
Other Miscellaneous Debt Expense and Reclasses	48,078	(717)
Total Unamortized Debt Discount and Expense	\$ <u>373,751</u>	\$ <u>5,970,353</u>
UNAMORTIZED PREMIUM ON DEBT (Acct. 251):		
Total Unamortized Premium on Debt	\$ <u>0</u>	\$ <u>0</u>

**EXTRAORDINARY PROPERTY LOSSES
ACCOUNT 182**

Report each item separately.

DESCRIPTION (a)	TOTAL (b)
EXTRAORDINARY PROPERTY LOSSES (Acct. 182):	
Extraordinary Abandonment	\$ 1,102,374
Total Extraordinary Property Losses	\$ <u>1,102,374</u>

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MISCELLANEOUS DEFERRED DEBITS
ACCOUNT 186

DESCRIPTION (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
DEFERRED RATE CASE EXPENSE (Class A Utilities: Account 186.1) 1995 Consolidate Rate Case 1997 Hernando County 1997 Hillsborough County Giga Rate Case Palm Coast Sale of Orange County Others	- (36,283) (33,923) - (13,373) 1,875 -	513,400 36,346 29,692 126,162 - 159,514 550
Total Deferred Rate Case Expense	-\$81,704	\$865,665
OTHER DEFERRED DEBITS (Class A Utilities: Account 186.2) Other Deferred Debits - GDU OAP's Deferred Executive Comp Plan Deferred OPEB Asset Others	-	2,454,617 2,644,634 1,512,977 257,860 108
Total Other Deferred Debits	\$0	\$6,870,196
REGULATORY ASSETS (Class A Utilities: Account 186.3) Regulatory Tax Asset - FAS 109 Surcharge		\$10,445,950
Total Regulatory Assets	\$0	\$10,445,950
TOTAL MISCELLANEOUS DEFERRED DEBITS	-\$81,704	\$18,181,811

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CAPITAL STOCK (ACCTS. 201 & 204)

DESCRIPTION (a)	RATE (b)	TOTAL (c)
COMMON STOCK		
Par or stated value per share		250
Shares authorized		500
Shares issued and outstanding		430
Total par value of stock issued		107,500
Dividends declared per share for year		
PREFERRED STOCK		
Par or stated value per share		
Shares authorized		
Shares issued and outstanding		
Total par value of stock issued		
Dividends declared per share for year		

BONDS (ACCT. 221)

(DESCRIPTION OF OBLIGATION (INCLUDING NOMINAL DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	RATE (b)	FREQUENCY OF PAYMENT (c)	
\$28MM First Mortgage Bonds	8.01	% Semi-annual	\$ 28,000,000
1996 Collier County IRB 1/96 - 1/26	6.5	% Semi-annual	\$ 35,105,000
Total			\$ 63,105,000

STATEMENT OF RETAINED EARNINGS

- Dividends should be shown for each class and series of capital stock.
Show amounts of dividends per share.
- Show separately the state and federal income tax effect of items shown in account 439.

ACCT. NO. (a)	DESCRIPTION (a)	TOTAL (b)
215	Unappropriated Retained Earnings: Balance beginning of year	\$ 19,306,184
439	Changes to account: Adjustments to Retained Earnings (requires Commission approval prior to use) Credits:	
	Total Credits	\$ 0
	Debits:	0
	Total Debits	\$ 0
435	Balance Transferred from Income	12,706,736
436	Appropriations of Retained Earnings:	0
	Total Appropriations of Retained Earnings:	\$ 0
437	Dividends Declared: Preferred Stock Dividends Declared	0
438	Common Stock Dividends Declared	0
	Total Dividends Declared:	\$ 0
215	Year end Balance	\$ 32,012,920
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end):	0
214	Total Appropriations of Retained Earnings:	\$ 0
	Total Retained earnings	\$ <u>32,012,920</u>
Notes to Statement of Retained Earnings:		

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NOTES PAYABLE (ACCTS. 232 & 234)

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (f)
	RATE (d)	FREQUENCY OF PAYMENT (e)	
NOTES PAYABLE (Account 232):	%		\$ 0
	%		\$
	%		\$
	%		\$
	%		\$
	%		\$
Total Account 232			<u>0</u>
	%		\$
	%		\$
	%		\$
	%		\$
	%		\$
Total Account 234			<u>0</u>

* For variable rate obligations, provide the basis for the rate. (I.e. prime + 2%, etc.)

ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (ACCT. 233)

Report each account payable separately.

DESCRIPTION (a)	TOTAL (b)
Americas Water Services	\$ (852,406)
Georgia Water Service	814,992
ALLETE Water Services, Inc.	(4,475,976)
Heater	180,342
Lehigh Corporation	2,000,084
Total	\$ <u>(2,332,965)</u>

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DESCRIPTION OF DEBIT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR		INTEREST PAID DURING YEAR (e)	BALANCE END OF YEAR (f)
		ACCT DEBIT (c)	AMOUNT (d)		
ACCOUNT NO.237.1- Accrued Interest on Long Term Debt					
Accrued Interest on Long Term Debt	2,381,924	386	7,295,550	7,422,586	\$2,254,888
Total Account 237.1	\$2,381,924	386	\$7,295,550	\$7,422,586	\$2,254,888
ACCOUNT NO.237.2- Accrued Interest on Other Liabilities					
Customer Deposits	\$86,061		\$178,302	\$169,906	\$94,457
Miscellaneous	0		0	0	
Total Account 237.2	\$86,061		\$178,302	\$169,906	\$94,457
Total Account 237 (1)	\$2,467,985		\$7,473,852	\$7,592,492	\$2,349,345
INTEREST EXPENSED:					
Total Accrual Account 237					
Less Capitalized Interest Portion Of AFUDC:					
Net Interest Expensed to Account No. 427 (2)			\$7,473,852		

(1) Must agree to F-2(a), Beginning and Ending Balance of Accrued Interest

(2) Must agree to F-3(c), Current Year Interest Expense

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT
DECEMBER 31, 2002

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES
ACCOUNT 241

DESCRIPTION (a)	BALANCE END OF YEAR (b)
Miscellaneous Fees	199,674
Accrued Audit Fees	100,000
Accrued Payroll and Related Items	6,573,240
	-
	-
	-
Total Miscellaneous Current and Accrued Liabilities	\$6,872,914

ADVANCES FOR CONSTRUCTION
ACCOUNT 252

NAME OF PAYOR (a)	BALANCE BEGINNING OF YEAR (b)	DEBITS		CREDITS (e)	BALANCE END OF YEAR (b)
		ACCT. DEBIT (c)	AMOUNT (d)		
Lehigh Development Corp.	3,819,638	131	555,365	115,196	3,379,469
Palm Coast	703,299	131	56,320	81,229	728,208
Timberwalk Development	52,879	131	7,211	-	45,668
Topeka Group	6,437,129	131	1,218,885	-	5,218,243
	-				-
	-				-
Total	\$11,012,945		\$1,837,781	\$196,425	\$9,371,589

* Report advances separately by reporting group, designating water or wastewater in column (a)

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT
DECEMBER 31, 2002

OTHER DEFERRED CREDITS
ACCOUNT 253

DESCRIPTION (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
REGULATORY LIABILITIES (Class A Utilities: Account 253.1) Regulatory Tax Liability - FAS 109		\$1,001,274
Total Regulatory Liabilities	\$0	\$1,001,274
OTHER DEFERRED LIABILITIES (Class A Utilities: Account 253.2) Deferred Customer Credit Deferred OPEB Costs Deferred Interest Deferred Lease Income Deltona Land Deferred Executive Comp Plan Others	- - - 10,000 - - - -	\$2,000,000 75,000 153,922 7,500 1,094,580 1,512,977 5,635
Total Other Deferred Liabilities	\$10,000	\$4,849,614
TOTAL OTHER DEFERRED CREDITS	\$10,000	\$5,850,888

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT
DECEMBER 31, 2002

CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 271

DESCRIPTION (a)	WATER (W-7) (b)	WASTEWATER (S-7) (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
Balance First of Year	\$ 49,833,128	\$ 53,818,806	\$ 162,696,636	\$ 266,348,570
Acquisitions		0	0	0
Add Credits During Year:	\$ <u>5,880,275</u>	\$ <u>4,829,837</u>	\$ <u>12,791,897</u>	\$ <u>23,502,008</u>
Less Debits Charged During Year:	\$ <u>(4,138)</u>	\$ <u>0</u>	\$ <u>(37,402)</u>	\$ <u>(41,541)</u>
Total Contributions in Aid of Construction	\$ <u>55,717,541</u>	\$ <u>58,648,643</u>	\$ <u>175,525,935</u>	\$ <u>289,892,119</u>

ACCUMULATED AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 272

DESCRIPTION (a)	WATER (W-7) (b)	WASTEWATER (S-7) (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
Balance First of Year	\$ <u>13,293,776</u>	\$ <u>17,577,271</u>	\$ <u>53,329,813</u>	\$ <u>84,200,859</u>
Add Debits During Year:	\$ <u>1,771,912</u>	\$ <u>1,940,493</u>	\$ <u>5,956,129</u>	\$ <u>9,668,534</u>
Less Credits Charged During Year:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total Accumulated Amortization of Contributions in Aid of Construction	\$ <u>15,065,688</u>	\$ <u>19,517,764</u>	\$ <u>59,285,942</u>	\$ <u>93,869,393</u>

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES
(UTILITY OPERATIONS)

1. The reconciliation should include the same detail as furnished on Schedule M-1 of the federal tax return for the year. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount and show the computation of all tax accruals.

2. If the utility is a member of a group which files a consolidated federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating intercompany amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

DESCRIPTION (a)	REF. (b)	AMOUNT (c)
Net income for the year	F-3	\$ <u>12,706,736</u>
Reconciling items for the year:		
Taxable income not reported on books:		
CIAC		2,290,235
CIAC Grossup		(9,767)
Income Taxes		7,995,098
Deductions recorded on books not deducted for return:		
Meals and Entertainment		32,340
Lobbying Expenses		38,788
Penalties		101,553
Rate Case Expense		81,154
Allowance for Doubtful Accounts		298,052
Debt Unamortized Cost Writeoff		149,911
Capitalized Interest		600,000
Income recorded on books not included in return:		
AFUDC - Equity		(287,692)
AFUDC - Debt		(423,250)
Deduction on return not charged against book income:		
Tax > Book Depreciation		(6,500,000)
Total Adjustments		<u>4,366,422</u>
State Taxable Income		17,073,158
State Tax @5.5%		939,024
State Tax - 1998 Amended		(100,961)
State Tax -2001 Adjustment		<u>(109,946)</u>
Federal tax net income		16,345,041
Computation of tax:		<u>35.00%</u>
Calculated Federal Tax		5,720,764
1998 Amended Return		101,223
Adjustment to 2001 Provision		<u>(668,508)</u>
CURRENT FEDERAL TAXES		<u>5,153,479</u>

FLORIDA WATER SERVICE CORPORATION

FOOTNOTES TO THE 2002 ANNUAL REPORT

- 1) In 2002, total company General Plant Assets are pooled at the corporate level and allocated to each system based on number of customers. Reversal of previous year general plant assets is reflected in the Retirement/Transfer column and the new allocated amounts are reflected as additions.
- 2) In 2002, Florida Water Services continued implementation of a detailed Fixed Asset System of accounting for all company owned assets. An integral part of this process is to reconcile all physically identified assets to the balance per books. This entry is a result of booking the physical inventory.
- 3) Total Company general plant accumulated depreciation is pooled at the corporate level and allocated to each plant based on number of customers.
- 4) Total company general plant retirements and their associated salvage proceeds and cost of removal are allocated to each plant based on number of customers.
- 5) Employee Pensions and Benefits and Workman's Compensation Insurance are allocated from the corporate level to the plant based on labor charges.
- 6) Customer numbers are derived by taking the twelve month average of the total number of bills in 2002.